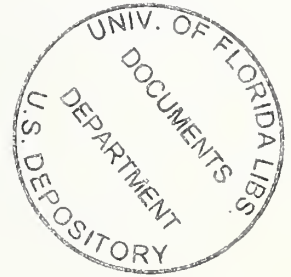




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Communist Aid Activities in Non-Communist Less Developed Countries, 1979 and 1954-79

A Research Paper

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NEILL MACAULAY

*ER 80-10318U
October 1980*

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on 15 April 1980.*

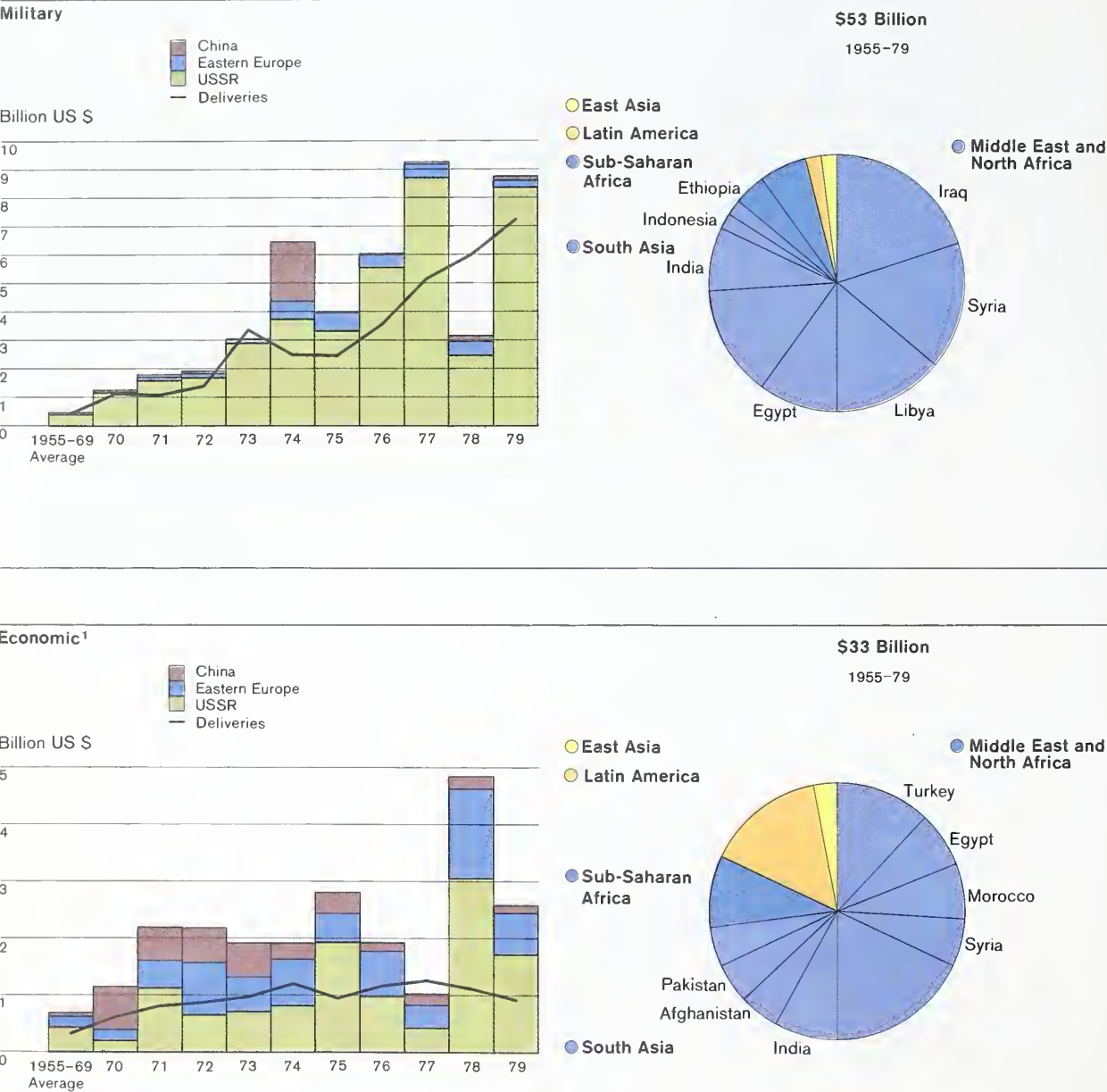
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Figure 1

Communist Countries: Aid Agreements With Non-Communist LDCs



¹ Excluding \$11 million in aid extended to Afghanistan in 1954.

Communist Aid Activities in Non-Communist Less Developed Countries, 1979 and 1954-79

Summary

In 1979, Communist economic and military aid programs continued as a major means of penetrating the military establishments and influencing the governments of key Third World countries. Arms sales rebounded from a five-year low in 1978 to \$8.8 billion last year, and new economic aid commitments stood at \$2.6 billion.

The Arab states accounted for nearly 90 percent of the \$8.4 billion of Soviet *contracts* for military hardware. Soviet military *deliveries* rose to \$6.6 billion. The high dollar values for orders and deliveries reflect the greater sophistication of the equipment being supplied to LDCs, the higher ruble price tags and the increased value of the ruble in terms of dollars.

In contrast to the rise in Soviet sales last year, East European arms sales fell to a six-year low of \$250 million, and China garnered only \$140 million of new orders. The Cuban technical and troop contingent, especially important in Sub-Saharan Africa, made up two-thirds of the 51,000 Communist military personnel in the Third World in 1979.

Communist countries followed the record \$4.9 billion of economic aid *commitments* to LDCs in 1978 with a still substantial \$2.6 billion of new pledges in 1979 (see figure 1). East European aid of \$730 million went mostly to five countries in all major regions, and Chinese aid of \$135 million was allocated largely to Burundi.

NOTE: Within the aid context, the terms *extensions*, *commitments*, and *agreements* refer to pledges to provide goods and services, either on deferred payment terms or as grants. Assistance is considered to have been extended when accords are initialed and constitute a formal declaration of intent. For *economic* aid, credits with repayment terms of five years or more are included. Where terms are known, the credits are designated as "trade credits" if amortization is less than 10 years. For *military* transactions, all sales are included—whether for cash or provided under credits or grants. The terms *drawings* and *disbursements* refer to the delivery of goods or the use of services.

The terms *less developed countries* and the *Third World* include the following: (1) all countries of Africa except the Republic of South Africa; (2) all countries of East Asia except Hong Kong and Japan; (3) Malta, Portugal, and Spain in Europe; (4) all countries in Latin America except Cuba; and (5) all countries in the Middle East and South Asia except Israel. Kampuchea (Cambodia), Laos, and Vietnam, which became Communist countries in 1975, are reported on for prior-years for historical reasons.

Communist economic aid *disbursements* fell to \$910 million in 1979, a seven-year low, because of slower drawdowns of Chinese and East European aid. Deliveries of Soviet aid continued at the \$500 million level of the past four years. Despite a 10,000-man reduction in the number of Chinese in Sub-Saharan Africa, the number of nonmilitary personnel stationed abroad remained at 107,000, largely because of the increase in Soviet technicians in Iraq and Afghanistan.

In the 25 years since 1954, the Soviet Union has responded to aid opportunities in 76 countries, extending \$18 billion of economic aid and \$47 billion of military aid. The USSR has trained 68,000 LDC nationals from 100 developing countries at Soviet academic institutions, another 33,000 in technical skills, and about 46,000 in military skills. Eastern Europe has supplemented the Soviet effort with \$10 billion of economic aid extensions and \$4 billion of military commitments, supplying large numbers of economic and military technicians.

These long-term military and economic aid programs have enabled the USSR to forward important strategic, geopolitical, and commercial objectives at low cost—particularly in the Middle East, North Africa, and South Asia.

Having earlier supplied outmoded weapons, the USSR in recent years has demonstrated a willingness and ability to deliver sizable quantities of modern aircraft and ground equipment on a fast schedule to favored clients. The aid programs have given Moscow strategic bases, established dependence on Soviet sources for military and industrial equipment, earned much-needed hard currency from military hardware and technical services, built up trade relations with the LDCs, and penetrated the military power structures in key Third World nations.

The Chinese, in their separate and sometimes competing effort, have mounted an inexpensive, down-to-earth economic aid program that fits the needs of the poorest LDCs.

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Communist Aid Activities in Non-Communist Less Developed Countries, 1979 and 1954-79

Military and Economic Aid to LDCs in 1979

Military Transactions Bounce Back in 1979

Large orders from a handful of Arab customers pushed Soviet *sales* of military hardware to the Third World to \$8.4 billion in 1979, up from \$2.5 billion in 1978. Soviet arms *deliveries* climbed to an alltime high of \$6.6 billion. In contrast, East European arms sales fell to a six-year low (\$250 million) in 1979, and China garnered only \$140 million in new orders.

Arab States: The Big Buyers. Brisk Soviet sales in 1979 were largely the product of heightened political unrest across North Africa and the Middle East. The Arab states accounted for nearly 90 percent of Soviet arms sales. Moscow concluded major new arms agreements with Iraq for additional T-72 tanks and MIG-25 fighter aircraft. Syria also arranged for new arms.

More Expensive Equipment. The dollar value of Soviet arms trade over the last several years has been driven up by substantially higher ruble prices for Soviet equipment, the increased value of the ruble in terms of

the dollar, and Moscow's willingness to supply expensive advanced weapon systems on short notice. In the 1950s and 1960s the USSR supplied mostly post-World War II types of equipment; in recent years, Moscow has been replacing the older equipment with more sophisticated, expensive weapons.

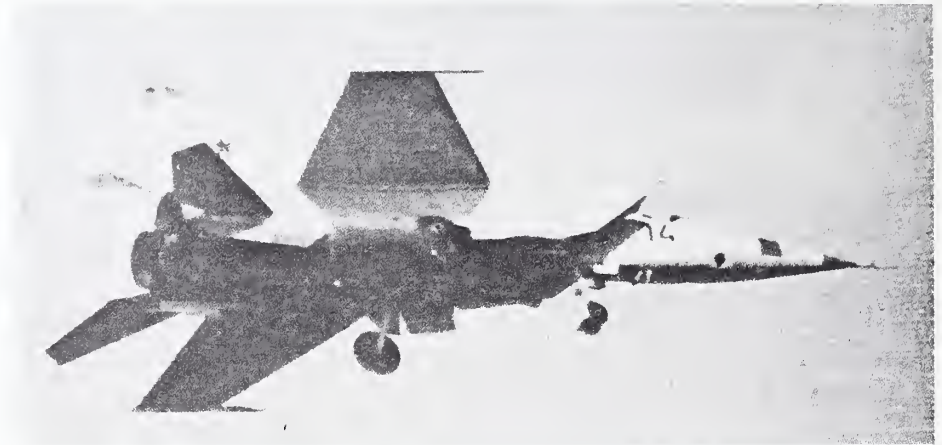
High Profile Military Presence. Cubans made up two-thirds of the 51,000 Communist military advisers, instructors, technical personnel, and troops posted in the Third World in 1979. Soviet personnel abroad (excluding Soviet invasion troops in Afghanistan) grew by one-third as Moscow beefed up the number of technicians to Afghanistan in anticipation of its late-year invasion.

Almost three-fourths of the total Communist personnel abroad were in Sub-Saharan Africa, with 32,000 Cuban troops still stationed in Angola and Ethiopia. The region has a heavier concentration of technicians per dollar of equipment delivered compared with the Middle East-North Africa and South Asia because of the sizable combat contingents in Angola and Ethiopia.

T-72 Tank



MIG-25 Jet Fighter



Economic Agreements: Continuing Strong in 1979

Communist countries followed the record \$4.9 billion of economic aid *pledges* to LDCs in 1978 with a still substantial \$2.6 billion of new commitments in 1979. The USSR accounted for two-thirds of the total, Eastern Europe for nearly 30 percent, and China for the remainder.

Most of the Soviet aid was extended to cover Turkish projects—including expansion of the Soviet-built Aliaga refinery, construction of a dam on the Arpacay River, and, possibly, a nuclear power plant—under the 1975 Soviet-Turkish framework agreement. (Moscow has been increasing its use of longer term framework agreements under which terms are subsequently negotiated for each individual contract.) Other Soviet aid commitments in 1979 were to Ethiopia (\$95 million) and Afghanistan (\$25 million)—amounts far below the large-scale industrial assistance expected by each country. The aid to Ethiopia featured agricultural development; Afghanistan received wheat as a grant.

Eastern Europe's \$730 million in new aid commitments in 1979 included: Hungary's \$250 million to Jamaica for an alumina plant; Poland's \$90 million to Pakistan for eight merchant ships, to be delivered in the early 1980s; and Czechoslovakia's \$75 million to Nigeria for machinery and equipment.

China extended \$135 million of new assistance, its smallest commitment of economic aid since 1969. Indeed, China itself accepted \$300 million of development credits from Argentina and Brazil. The only

substantial extension in Sub-Saharan Africa was a \$40 million credit to Burundi.

Disbursements Decline. Communist economic aid *disbursements* fell to \$910 million in 1979, a seven-year low in absolute terms and less than 5 percent of global economic aid disbursements. South Asian countries accounted for more than one-half of the \$500 million in Soviet disbursements in 1979 because of heavy support for Afghanistan's Marxist regime and a steel mill project in Pakistan. Middle East recipients accounted for most of the remainder.

In 1979, the USSR established the Research Institute of Economic and Technical Cooperation within the Soviet aid organization, the State Committee for Foreign Economic Relations (GKES). The new institute is charged with improving the implementation of aid projects as well as with the marketing and after-sales service of Soviet machinery and equipment provided under the aid program.

Marketing Communist Technical Skills. About 107,000 Communist economic technicians were working in 78 LDCs in 1979, sustaining the overall high levels set in 1978. East Europeans numbered 48,000, the Soviets 33,000, and the Cubans and Chinese about 13,000 each. A 7-percent increase in the number of East Europeans and a 20-percent gain in Soviet personnel in 1979 roughly offset the nearly 10,000 reduction in China's African contingent. The number of Cubans in Angola dropped by 2,000 last year, balanced by sharply increased numbers in Latin America.

Nearly two-thirds of the Soviet technicians worked in Middle East and North African countries, with employment on development projects outnumbering administrative jobs three to one (see figure 2). In Sub-Saharan Africa almost as many Soviets were employed as teachers and doctors as on project work.

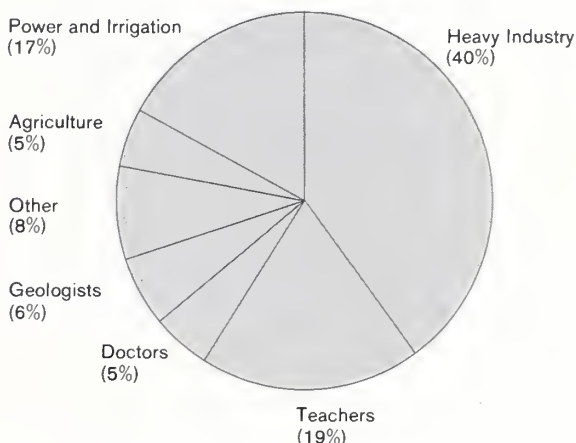
As many as one-half of the Communist technicians in LDCs were under commercial contracts. These included: 23,500 East Europeans and Soviets in Libya, working largely on public works and agriculture; 5,500 in Sub-Saharan Africa, mostly in Angola and on an oil pipeline in Nigeria; 5,500 in Iraq and Kuwait; 2,350 Cubans in Iraq and Libya; and several thousand Communist doctors, teachers, and administrators scattered elsewhere under various contracts. About one-half of the East Europeans were in Libya alone in 1979. Another 11,200 worked for other major oil-producing countries, while only about 16,300 Soviets worked for oil-producing nations.

Chinese technical services impose the smallest drain on LDC economies because no hard currency payments are required; LDCs pay only the local subsistence costs (the equivalent of about \$1,200 a year) for housing, food, and transportation. In 1979 the PRC set up the China Civil Engineering Construction Corporation (CCECC) to sell its technical services to developed country contractors, especially for work in the Third World. The Chinese are asking \$5,400 annually for skilled laborers, and up to \$15,000 for other skilled personnel.

Student Programs: Academic and Technical. The influx of more than 4,500 Afghan students into Soviet and East European academic institutions in 1979 pushed Communist training programs to record heights. The 14,000 Third World students departing for study during the year brought the cumulative total of LDC academic trainees to 120,000; the Communist countries have greatly expanded their facilities for foreign nationals over the past five years. In 1979, 8,000 students went to the USSR and 5,800 to Eastern Europe; at yearend, more than 55,000 were studying in Communist universities. About 40 percent were from Sub-Saharan Africa and 20 percent from South Asia. The Chinese, whose own educational system has been racked with conflict since 1966, are now hosting only a few hundred LDC students.

Figure 2

Employment of Soviet Economic Technicians in Non-Communist LDCs, 1979



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Communist countries also accepted 3,000 technical personnel for project-related training, bringing the cumulative number to 51,000. About 2,300 came from Arab countries and South Asia, where the major Communist projects are located. As an adjunct to the academic and technical programs, Communist countries have trained about 550,000 LDC nationals in on-site facilities and have provided at least 180 establishments for academic and technical training in the LDCs.

Perspective on 25 Years of Communist Aid

Military Aid 1955-79:

Foundations of Soviet Influence

In the 25 years since Moscow's first consignment of military goods to Egypt—through Czechoslovakia—the USSR has extended \$47 billion of military assistance to 54 LDCs, with 85 percent going to nine key target countries. Eastern Europe has provided an additional \$4.3 billion, largely to major Soviet clients, and

China \$1.1 billion, mostly to Pakistan and selected African nations.

The USSR, originally willing to supply arms to almost any LDC at low prices and on good repayment terms, parlayed its initial \$250 million Egyptian deal into a half-billion-dollar-a-year program by the mid-1960s. Ten years later Moscow was selling LDCs \$5 billion worth of arms annually. Soviet military aid was especially attractive to newly independent countries that hoped to modernize their outmoded colonial arms inventories. The USSR offered fast delivery, free training, maintenance services, and such financial inducements as large discounts off list prices, 8- to 10-year deferred payments at 2-percent interest, and acceptance of local goods in repayment. (These conditions have been largely eliminated except as political concessions.)

At the start the Soviets exploited Arab-Israeli tensions, Yemen's conflict with the United Kingdom over Aden, Afghanistan's border dispute with Pakistan, the India-Pakistan crisis, and Indonesia's territorial conflict with the Netherlands and Malaysia. In addition to exploiting the large new financial returns from military sales, the Kremlin has continued to give overriding weight to political/military considerations—as in aiding nationalist movements in Angola and elsewhere in Africa, in plucking Ethiopia out of the Western camp (albeit at the loss of Somalia), and in making Afghanistan ripe for takeover.

Top priority has gone to Arab countries in the Middle East and North Africa—initially Egypt,¹ Iraq, and Syria, and later Libya, Algeria, and South Yemen. Afghanistan has been a smaller but steady buyer since 1956; India and Indonesia² became big buyers in the mid-1960s; and Ethiopia is Moscow's only major new arms customer since 1974.

Upward Trend in Military Sales. The rapid growth in Soviet arms sales has been stimulated by three major developments: the 1967 and 1973 Middle East wars, which triggered unprecedented Soviet supply operations to the Arab belligerents; the opening of Moscow's modern weapons arsenal to LDCs as a reaction to Israel's deep penetration raids of Egypt in 1970; and the emphasis on raising commercial and financial returns from arms sales following the rise in oil prices in 1973/74.

Moscow's willingness to sell its most modern weapons set the stage for full-scale Soviet competition with Western suppliers in the lucrative Middle East arms market. Moscow no longer could be identified as a seller of last resort purveying outmoded, reconditioned equipment. The \$750 million arms deal with Egypt in 1970 provided advanced SA-2 and SA-3 surface-to-air

¹ The ouster from Egypt was started with Sadat's expulsion of Soviet troops in 1972 and was completed soon after the October 1973 War.

² The \$880 million Soviet arms program in Indonesia ended abruptly with the abortive Communist coup in October 1965.

IL-76 Transport



missiles (previously deployed only in the USSR and Eastern Europe) and 7,500 soldiers to man them. This deployment was the first important example of the Soviets providing combat units to operate modern equipment in Third World countries. From the mid-to-late 1970s, the Cubans, often acting as surrogates for the Soviets, entered into active combat.

Escalation of Arms Sales in 1974-79. Higher prices, more complex weapons, and Arab oil wealth sent Soviet sales soaring to more than \$34 billion in 1974-79, giving the USSR one-fourth of the world arms market and second rank behind the United States as a supplier (see table 1).

Because of the October 1973 War, Arab orders for Soviet arms escalated and were five times as great in 1974-79 as in 1967-73. The Soviet policy of greatly expanding hard currency earnings from arms sales affected even politically prized customers, such as Ethiopia. Four major Arab clients accounted for more than 70 percent of the total sales in 1974-79. Sales to India and Ethiopia together accounted for another 15 percent of the total.

Moscow's sales of expensive late-model equipment—which sometimes predated exports of this equipment to CEMA allies—has recently included sales of MIG-25 and MIG-27 jet fighters, IL-76 transports, SA-9 surface-to-air missile systems, and T-72 tanks.

These advanced weapons have required more extensive training and maintenance and a larger number of Soviet and East European military technical advisers. The few hundred advisers sent to Egypt, Syria, Afghanistan, and Indonesia in the mid-1950s had grown to about 3,600 by the mid-1960s, posted in 16 LDCs; the number had more than doubled 10 years later and went up sharply again in 1979 to nearly 16,000 persons (see table 2). The USSR provided most of the supporting services needed for assembling equipment, training LDC personnel in use and maintenance, and advising LDC commanders. Since 1975 large numbers of Cuban troops have been used for combat in Angola and Ethiopia and for training of local combat units (see table 3).

Table 1 Million US \$

USSR: Military Agreements With Non-Communist LDCs

Total	47,340
1955-59	690
1960-66	3,830
1967-73	8,665
1974-79	34,155

Successes and Failures. Moscow's failures are well known. The debacles in Indonesia and Egypt, in particular, caused severe political embarrassment and economic loss to the USSR. Even so, in the case of Egypt, Moscow could take comfort in a relationship of nearly 20 years that had given it clout as a world power, had established its bona fides in the Third World, and had provided a base for spreading Soviet influence in the Middle East and North Africa.

Among the successes of the military assistance program, Moscow can number the obtaining of base rights in several countries; the use of port facilities in Syria and Ethiopia; the use of airports in Mali and Guinea during its venture into Angola; and use of facilities in South Yemen (and previously in Somalia) for naval and air intelligence operations. In 1975 when the USSR was denied port and repair privileges for its Mediterranean fleet in Egypt, Moscow gained access to facilities in Algeria and Tunisia. After being expelled from Red Sea naval and air reconnaissance facilities at Berbera in 1977, Moscow transferred operations to Aden and later Ethiopia.

Moscow also has profited economically from its arms sales program:

- By 1970 and in every year until 1978, arms exports kept the USSR's trade with LDCs out of the red.
- Moscow has expanded its hard currency receipts from arms sales as a result of convertible currency requirements for payments on almost all orders in recent years.

Table 2 Number of Persons

**Communist Countries:
Military Technicians in Non-Communist LDCs ¹**

	1965	1970	1975	1979
Total	3,730	10,635	9,425	16,240
USSR and Eastern Europe	3,635	10,125	8,220	15,865
North Africa	605	1,020	1,005	2,835
Sub-Saharan Africa	400	965	1,580	3,990
East Asia	520	0	0	0
Latin America	0	0	35	110
Middle East	1,500	7,820	4,900	4,780
South Asia	610	320	700	4,150
China	95	510	1,205	375
Sub-Saharan Africa	70	410	1,165	305
East Asia	25	0	0	0
Middle East	0	75	0	0
South Asia	0	25	40	70

¹ Minimum estimates of number present for one month or more. Numbers are rounded to nearest five.

Although LDCs sometimes have become disenchanted with heavy-handed Soviet methods, the customer list continues to grow. Sales have increased as the advantages of fast delivery, practically free technical services, and access to advanced equipment have overshadowed drawbacks in the program.

From time to time, Moscow has withheld vital spare parts, technical services, and ordnance to exact concessions, or punish Third World clients, causing major clients to diversify sources of arms to reduce dependence on the USSR.

The Economic Program: A Persistent Penetration Effort

In the 25 years since the USSR extended small economic credits to Afghanistan for municipal works, Moscow has extended a cumulative \$18 billion of aid to 67 countries and has built up nonmilitary trade with the LDCs to a two-way figure of \$9 billion.

Commitments have moved up erratically, recently averaging about \$1.5 billion a year and peaking in

Table 3 Number of Persons

**Cuban Military Technicians
in Non-Communist LDCs, 1979 ¹**

Total	34,315
North Africa	15
Sub-Saharan Africa	33,045
Latin America	255
Middle East	1,000

¹ Minimum estimates of number present for one month or more. Numbers are rounded to nearest five.

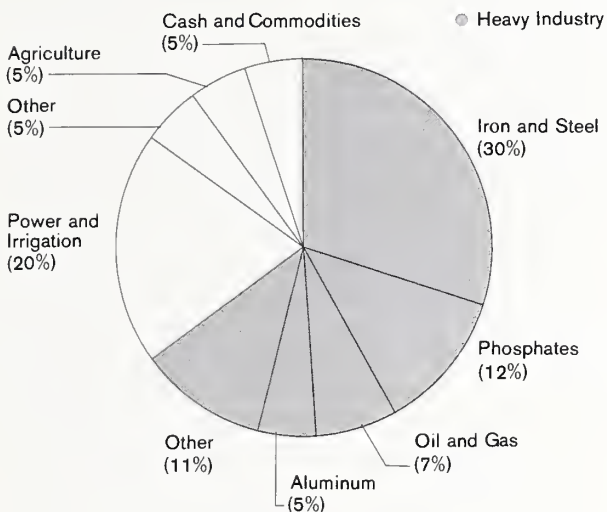
1978 at more than \$3 billion. In years of heavy commitment, a small number of countries have accounted for the bulk of the pledges—a billion dollars or more went to India, Iran, and Syria in 1966; to Egypt, Iraq, Pakistan, and Algeria in 1971; to Turkey and Afghanistan in 1975; and to Morocco and Turkey in 1978. Most of these countries have received substantial Soviet military aid as well. The basic characteristics of Soviet economic aid are:

- Concentration of aid offers on neighbors in South Asia (more than 25 percent of aid commitments) and on strategically located countries in North Africa and the Middle East (60 percent).
- Focus on large heavy industrial projects in the public sector (65 percent of aid total), with development of natural resources gaining in importance (see figure 3).
- The tying of practically all commitments to purchases of Soviet equipment, the USSR seldom providing hard currency or commodity assistance.
- Provision of extensive technical assistance to help overcome the lack of local skills in the construction and operation of projects.
- Provision of 12-year credits at 2.5 to 3 percent interest, with special concessions to a few clients, such as Afghanistan and India.
- Allowance for repayments in local currency or the output of Soviet-aided plants.

The Khrushchev Era (1955-64): A Growing Sense of Failure. Party Chairman Khrushchev set the early style for the Soviet economic aid program—big promises, showy projects, and a poor implementation record. A \$118 million credit in 1955 for building India's

Figure 3

USSR: Sectoral Distribution of Aid to Non-Communist LDCs, 1954-79



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Bhilai steel mill set the stage for large industrial credits, especially to Algeria and Egypt for steel mills; Egypt for building Moscow's showpiece, the Aswan Dam; India to create a public sector industrial base; Afghanistan for agriculture and road development and a gas pipeline to the Soviet border; and Iraq and Syria for assistance on a wide range of industrial projects.

The Era of Conservatism (1965-74): Repairing the Damage. By 1965, the Soviet bureaucracy had begun to question the program's performance. A series of difficulties—such as the buildup of large unallocated credits, long delays in completing projects, and Soviet failures to establish viable programs in Africa and Indonesia—generated opposition to the program at home. The fall of Khrushchev and subsequent demands for a more conservative aid policy resulted in the elimination of unallocated umbrella credits, more care in conducting feasibility studies, and a more precise tailoring of projects to LDC needs. Though conservative in approach, the new policy was accompanied by an increase in economic aid commitments. Moscow

Table 4

Million US \$

USSR: Economic Aid Agreements With Major Non-Communist LDC Clients¹

	1955-64	1965-74	1975-79	Total
Total	3,805	6,255	8,120	18,190
Middle East	1,450	2,520	3,895	7,870
Egypt	1,000	440	0	1,440
Iran	65	725	375	1,165
Iraq	185	370	150	705
Syria	100	360	310	770
Other	100	625	3,060	3,790
North Africa	250	300	2,365	2,920
Algeria	230	195	290	715
Morocco	0	100	2,000	2,100
Other	20	5	75	105
South Asia	1,440	2,355	1,185	4,980
Afghanistan	530	300	450	1,290
India	810	1,130	340	2,280
Pakistan	40	655	225	920
Other	60	270	170	490
Sub-Saharan Africa	490	380	335	1,200
Latin America	30	595	340	965
East Asia	150	110	NEGL	260

¹ Because of rounding, components may not add to the totals shown.

extended more trade-related credits with shorter repayment periods, higher interest rates, and downpayments.

Middle Eastern countries were still the favored clients, and Moscow continued its overtures to India. The Soviets initiated new aid projects in the neighboring states of Iran, Pakistan, and Turkey—all members at that time of the Western-sponsored Central Treaty Organization (CENTO). Of the \$6.3 billion of aid extended in 1965-74, about 80 percent went to countries in North Africa, the Middle East, and South Asia, largely for heavy industry (see table 4). Soviet commitments in this period included \$1.7 billion for

steel mills or their expansion and an additional \$1.3 billion for other heavy industrial plants.

Even though 20 additional African states became Soviet clients after 1964, average annual commitments fell by 25 percent and Africa's share of the total Soviet aid package fell even more. Meanwhile, the USSR extended trade credits to five Latin American countries in hopes of balancing its larger imports from these countries.

The New Pragmatism (1975-79). Despite the loss of much of the early political dynamism of its program, Moscow still considers economic aid as an important instrument for expanding Soviet influence in the Third World. The average annual value of aid extensions has risen substantially in the second half of the 1970s. The Soviets have been focusing on projects and countries that promise the greatest returns, for example, raw materials needed by the Soviet economy. This had meant a growth of Soviet commercial ventures abroad and broader long-range programs to dovetail with Moscow's economic plans. As early as 1969, the USSR had taken steps to supplement CEMA resources with various LDC raw materials. The new emphasis on CEMA requirements is apparent in Soviet-LDC (and East European-LDC) joint economic committees that try to synchronize LDC production plans with Moscow's.

At the same time, Moscow has pressed for broad long-term cooperation agreements, such as the 15-year accord with Iran in 1975 that is to involve \$3 billion of development programs on both sides of the border. This kind of framework agreement represents an important new development in the Kremlin's approach to economic aid. The openended, nonbinding agreements³ supposedly will provide a firmer base for long-term planning by client countries, while increasing Moscow's assurance of stable trade and supply patterns in the future. The \$2 billion framework agreement with Morocco in 1978 for exploiting Moroccan

phosphates is the most recent accord. The USSR is to receive 5 million tons of phosphates a year from 1980 to 1990 and 10 million tons in the following 20 years.

The escalation in commitments in 1975-79 under the framework agreements results from the great size of multiyear pledges, which tend to bunch commitments and prolong the period of drawdown. Aid deliveries in 1975-79 averaged \$500 million annually, not much higher than in the previous 10-year period. At yearend 1979, Moscow's largest traditional aid clients—Afghanistan, Egypt, India, Iran, Iraq, Pakistan, Syria, and Turkey, which together accounted for 65 percent of the \$18.2 billion Soviet commitment—had received 75 percent of the \$8.2 billion total of aid deliveries.

Slow implementation has continued to plague the aid program; in January 1979 the USSR established the Scientific Research Institute as a special research arm of the State Committee for Foreign Economic Relations (GKES) to look at aid problems. The 120-member staff will study Soviet economic aid programs in 10 to 12 of the largest recipient countries and will assess new aid opportunities, especially in the energy and metallurgical fields. The staff also is tasked with improving the methodology for evaluating progress in the aid program.

Program Returns: Moscow Looks at Balance Sheet. In the quarter century of its aid program, Moscow has recruited few adherents to its ideology. The Soviet program has suffered the difficulties plaguing most aid programs in the Third World. In some cases important Soviet aid clients have switched allegiance to the West. The Kremlin nonetheless must view the returns from its program as satisfactory, possibly even good, in relation to cost. Economic aid has imposed a negligible drain on Soviet domestic resources, even considering that aid requirements must be wedged into an already overcommitted economy. Aid disbursements are running at the equivalent of less than one-tenth of 1 percent of Soviet GNP.

Soviet aid provides only about 1 percent of worldwide official development assistance to the Third World. It was never meant to compete with other aid programs on a global scale. Rather, it was designed to compete in

³ The openended features of framework agreements, as well as the lack of details on the pacts, complicate the task of recording Soviet aid extensions to LDCs. In our recordkeeping, we enter and adjust figures only as specific contractual amounts are confirmed; additional funding for an established project is recorded in the year that the funds are allocated.

a few target areas, often through project assistance not available from other donors. In general, Moscow has succeeded in maximizing the political impact of its comparatively small effort; for example, it has gained considerable recognition from a handful of highly visible large industrial projects, notably in India, Egypt, and Syria.

Another important spinoff from the aid programs has been the rapid expansion in Soviet-LDC trade. The programs opened new markets for Soviet capital goods; machinery and equipment exports now account for one-half of Moscow's civilian exports to the Third World. Soviet-LDC two-way trade amounted to \$13.4 billion in 1978, compared with \$260 million in 1955; the share of LDCs in Soviet global trade rose to almost 15 percent. Meanwhile, annual receipts from Soviet project assistance include these important commodities:

- 13 billion cubic meters of natural gas transported through Soviet-built pipelines in Afghanistan and Iran (natural gas deliveries have recently been interrupted by the turmoil in the area).
- 120,000-130,000 b/d of crude oil from Syrian and Iraqi national oil industries which the USSR helped to create.
- 2.5 million tons of bauxite from Guinea's Kindia deposits, and alumina from a Soviet-built plant in Turkey.

LDCs have grumbled about delays in construction, and Moscow's failure to cover local costs and to provide turnkey projects; they nonetheless continue to accept Soviet proffers of economic assistance. Most, but not all, Soviet economic programs have managed to survive LDC political change, discontent with the progress of the program, weaknesses in local infrastructure, and a general insufficiency of local labor skills and material resources.

Other Returns. The USSR has earned large amounts of hard currency from the technical services provided along with the aid program and, more recently, from commercial contracts. In 1978-79 these earnings soared to over \$100 million a year because of the rise in salaries LDCs were charged for administrators, teachers, doctors, and technicians, and the contract workers whose skills Moscow has begun to market.

Soviet educational programs have added considerable numbers to the ranks of professional and skilled workers in 100 LDCs. Returning students, however, apparently have not greatly increased Soviet influence in the countries to which they return; few seem to have changed their political persuasions after four to five years of residence in the USSR; indeed, some have become intensely anti-Communist. Only a handful of these Soviet-trained individuals have attained cabinet-level status, mostly because they compete with the better trained and more numerous professionals who were educated in the West.

The Kremlin seems to see its educational program for LDCs in a more favorable light. It has continued to expand the number of places for LDC students (8,000 in 1979) at increasing cost (over \$5,000 a year per student at present, compared with about \$2,000 in 1960); in most instances, the Soviets pick up the tab. About 40 percent of the 70,000 academic students have come from Sub-Saharan Africa; another 25 percent from the Middle East (especially Syria, Iraq, Egypt, and Jordan); and nearly 15 percent from South Asia (largely Afghanistan, India, and Bangladesh).

Eastern Europe: Long-Term Support for Moscow's Economic Aims. The economic aid programs of the East European nations are complementary to the Soviet effort. The USSR, without assuming formal control over its partners' programs, strongly influences the selection of targets and the timing of commitments.

East European nations have extended \$9.8 billion of economic assistance to 58 LDCs; the USSR has extended aid to all but seven of these. The eight largest Soviet recipients that accounted for 75 percent of the USSR's commitments in 1955-79 received one-half of Eastern Europe's.

The first East European economic assistance was a Czech credit to Afghanistan in 1954, which followed by a few months the initial Soviet extension of aid to the same country. In 36 out of the 54 countries receiving aid from both the USSR and Eastern Europe, the credits were extended within 12 months of each other. In most instances, Eastern Europe's aid was in support of a Soviet area offensive (such as in Africa in the late

Table 5

Number of Persons

Communist Countries: Economic Technicians in Non-Communist LDCs ¹

	1960	1965	1970	1975	1979
Total	6,285	17,720	23,930	58,330	93,690
USSR	4,245	9,285	10,645	17,975	32,635
North Africa	0	885	2,420	3,110	7,450
Sub-Saharan Africa	300	1,735	1,585	2,995	5,640
East Asia	180	395	150	25	35
Latin America	5	5	30	355	340
Middle East	1,470	3,705	3,935	8,400	13,785
South Asia	2,290	2,560	2,525	3,090	5,385
Eastern Europe	1,080	4,070	5,215	14,870	48,195
North Africa	0	1,755	2,285	9,915	30,395
Sub-Saharan Africa	190	765	755	1,235	4,800
East Asia	90	115	65	30	55
Europe	0	0	0	0	10
Latin America	65	70	150	275	255
Middle East	560	800	1,295	3,025	12,120
South Asia	175	565	665	390	560
China	960	4,365	8,070	25,485	12,860
North Africa	0	80	465	595	930
Sub-Saharan Africa	55	2,535	6,505	22,625	9,325
East Asia	190	425	100	35	160
Europe	0	0	0	70	125
Latin America	0	0	0	70	155
Middle East	700	435	745	1,310	1,135
South Asia	15	890	255	780	1,030

¹ Minimum estimates of number present for a period of one month or more. Numbers are rounded to nearest five.

1950s and early 1960s) or a comprehensive Soviet-assisted development effort (such as India's and Egypt's).

In the early period, East Europeans also subcontracted goods and services for Soviet aid projects, especially in the Middle East. The practice apparently continues where an East European country specializes in the manufacture of equipment needed for an industrial project. East European support—either directly or on Soviet account—has been typical in major aid efforts, such as in Iran, where the USSR built a basic steel mill

and East Germany the rolling mill and in India, where the Czechs built a foundry forge and the Soviets the heavy machine building plant.

The establishment of the International Bank of Economic Cooperation (the CEMA Bank) in January 1964 was a first step toward coordinating CEMA economic assistance to LDCs. The International Investment Bank (IIB) was set up under CEMA bank auspices in 1974 and provided with a special ruble fund worth about \$1 billion; however, this new organization has yet to finance its first LDC aid project.

Table 6

Number of Persons

Academic Students From Non-Communist LDCs in Communist Countries¹

	1965	1970	1975	1979
Total	15,915	21,415	28,435	55,345
USSR	10,435	12,695	17,920	30,970
North Africa	170	610	1,555	1,825
Sub-Saharan Africa	4,895	6,260	8,040	12,865
East Asia	1,250	270	220	25
Europe	0	0	0	15
Latin America	935	1,640	2,190	2,860
Middle East	2,125	2,790	3,615	6,745
South Asia	1,060	1,125	2,300	6,635
Eastern Europe	5,025	8,720	10,410	24,025
North Africa	325	680	1,040	1,605
Sub-Saharan Africa	2,475	3,445	4,230	10,795
East Asia	720	375	115	10
Europe	0	0	0	10
Latin America	305	780	890	2,150
Middle East	955	2,985	3,410	6,405
South Asia	245	455	725	3,050
China	455	0	105	350
North Africa	15	0	0	35
Sub-Saharan Africa	260	0	70	205
East Asia	75	0	0	0
Europe	0	0	0	5
Latin America	0	0	10	0
Middle East	5	0	15	10
South Asia	100	0	10	95

¹ Numbers are rounded to nearest five. Most are estimates based on scholarship awards.

Small Trade-Oriented Program. East European aid made a slow beginning, with extensions of less than \$125 million a year in the first decade of the program. The credits were usually extended on favorable commercial-like terms (eight to ten years to repay with 3 to 3.5-percent interest), mainly for promotion of the sale of machinery and equipment for light industrial plants. Czech credits to India for heavy industrial installations late in the 1950s were an important exception. The East European program gained momentum

in the mid-1960s with assistance to key Middle Eastern states, often at more concessional terms.

By yearend 1979, Romania, Czechoslovakia, and East Germany had each committed more than \$2 billion in aid, with the others trailing well behind. We estimate that East European countries have delivered only one-third of their total commitments; although this estimate could be low because of the difficulty in differentiating between aid and trade flows.

China: Effective Competition on Low Budget. China's \$5 billion economic aid commitment to 61 LDCs has competed with, rather than complemented, other Communist programs. Originally designed to establish China's credibility as a responsible spokesman for the Third World, Beijing's aid has fluctuated widely in response to political upheavals at home and vacillating attitudes toward the costs and benefits of foreign economic assistance.

China began its program in 1956 with a few scattered commitments to East Asian neighbors. The program gained momentum early in the 1960s, with Nepal, Sri Lanka, Burma, and Cambodia as the chief recipients. By 1964, aid peaked at \$315 million. At this time, China extended aid to African countries that gained their independence, about \$140 million being allocated to six countries. Egypt and Pakistan received nearly as much (\$135 million).

Following internal political difficulties in the late 1960s, Chinese interest in foreign aid revived. In 1970, China extended a record \$780 million in aid, highlighted by a \$400 million commitment to build the Tan-Zam Railroad. This railroad project was completed ahead of schedule, in July 1976. Through 1973, the Chinese maintained annual commitments of about \$640 million, with 55 percent going to Africa. Economic aid again fell victim to domestic political and economic problems, plunging to an average \$175 million a year in 1976-79 (largely in Africa).

China has competed effectively with simple and low-cost programs, which have proved more relevant to many LDC's needs, and have provided more technicians per aid dollar than any other Communist donor. Furthermore, the Chinese have won kudos be-

cause of the frugal living style of their technicians and workers.

About 15 to 20 percent of total Chinese aid has been extended as grants, the remainder in interest-free credits with at least 10 years for repayment, after 10 to 30 years grace. The Chinese programs, with their emphasis on simple construction projects and light industrial facilities, are implemented faster than the Soviet heavy industry projects. The Chinese provide services—notably medical services at a cost of only about \$100 a month per Chinese (for local costs); these costs are mostly covered by Chinese commodities provided under credit.

Appendix A

Statistical Tables

Table A-1

Million US \$

Communist Countries: Military Aid to Non-Communist LDCs ¹

	Agreements Concluded				Equipment Delivered			
	Total	USSR	Eastern Europe	China	Total	USSR	Eastern Europe	China
Total	52,770	47,340	4,285	1,145	39,670	35,340	3,405	920
1955-69	7,075	5,875	935	265	6,110	5,060	840	210
1970	1,265	1,150	50	65	1,095	995	75	30
1971	1,790	1,590	120	80	1,050	865	125	60
1972	1,925	1,690	155	80	1,365	1,215	75	80
1973	3,045	2,890	130	25	3,340	3,135	130	80
1974	6,460	5,735	635	90	2,460	2,225	210	25
1975	4,000	3,325	635	40	2,425	2,040	285	100
1976	6,035	5,550	345	145	3,520	3,085	330	100
1977	9,260	8,715	475	75	5,125	4,705	345	75
1978	3,155	2,465	555	135	5,965	5,400	470	95
1979	8,750	8,365	250	140	7,205	6,615	525	70

¹ Because of rounding, components may not add to the totals shown.

Table A-2

Million US \$

**Communist Countries:
Soviet Military Relations With LDCs ¹**

	1956-79	1956-74	1975	1976	1977	1978	1979
Total Agreements	47,340	18,925	3,325	5,550	8,715	2,465	8,365
North Africa	10,960	2,805	535	0	4,650	770	2,200
Sub-Saharan Africa	4,635	715	220	840	1,510	980	370
East Asia	890	890	0	0	0	0	0
Europe	30	0	0	0	0	0	30
Latin America	970	205	70	335	110	0	250
Middle East	24,445	11,980	1,195	4,105	1,735	325	5,105
South Asia	5,410	2,330	1,305	270	705	390	410
Total Deliveries	35,340	13,495	2,040	3,085	4,705	5,400	6,615
North Africa	7,165	665	450	1,010	1,265	1,685	2,090
Sub-Saharan Africa	3,530	410	270	285	550	1,400	615
East Asia	885	885	0	0	0	0	0
Latin America	675	30	70	95	370	95	15
Middle East	18,675	9,375	1,080	1,235	1,720	1,890	3,375
South Asia	4,410	2,130	170	460	800	330	520

¹ Because of rounding, components may not add to the totals shown.

Table A-3

Number of Persons

**Communist Military Technicians
in LDCs, 1979 ¹**

	Total	USSR and Eastern Europe	Cuba ²	China
Total	50,555	15,865	34,315	375
Africa	40,190	6,825	33,060	305
North Africa	2,850	2,835	15	..
Algeria	1,030	1,015	15	..
Libya	1,820	1,820
Sub-Saharan Africa	37,340	3,990	33,045	305
Angola	20,400	1,400	19,000	..
Equatorial Guinea	340	40	200	100
Ethiopia	14,250	1,250	13,000	..
Guinea	135	85	50	..
Guinea-Bissau	110	60	50	..
Mali	185	180	..	5
Mozambique	755	525	215	15
Other	1,165	450	530	185

¹ Minimum estimates of the number of persons present for a period of one month or more. Numbers are rounded to the nearest five.

² Including more than 30,000 Cuban troops in Angola and Ethiopia.

³ Excluding more than 50,000 Soviet troops.

Number of Persons

	Total	USSR and Eastern Europe	Cuba ²	China
Latin America	365	110	255	..
Middle East	5,780	4,780	1,000	..
Iraq	1,065	1,065
Kuwait	5	5
North Yemen	130	130
South Yemen	2,100	1,100	1,000	..
Syria	2,480	2,480
South Asia	4,220	4,150	..	70
Afghanistan	4,000	4,000 ³
Bangladesh	30	30
India	150	150
Pakistan	40	40

Table A-4

Number of Persons

Communist Training of LDC Military Personnel in Communist Countries ¹

	1955-79			
	Total	USSR	Eastern Europe	China
Total	55,080	45,585	6,345	3,150
Africa	18,900	14,420	1,760	2,720
North Africa	4,150	3,580	555	15
Algeria	2,410	2,195	200	15
Libya	1,595	1,310	285	..
Other	145	75	70	..
Sub-Saharan Africa	14,750	10,840	1,205	2,705
Angola	60	55	5	..
Benin	30	30
Burundi	75	75
Cameroon	125	125
Congo	1,005	505	85	415
Equatorial Guinea	200	200
Ethiopia	1,790	1,290	500	..
Ghana	180	180
Guinea	1,305	885	60	360
Guinea-Bissau	100	100
Mali	420	360	10	50
Mozambique	480	400	30	50
Nigeria	825	790	35	..
Sierra Leone	150	150
Somalia	2,585	2,395	160	30
Sudan	550	330	20	200
Tanzania	3,005	1,970	10	1,025
Togo	55	55
Zaire	175	175
Zambia	250	190	..	60
Other	1,385	1,085	290	10

¹ Data refer to the estimated number of persons departing for training. Numbers are rounded to the nearest five.

Number of Persons

	1955-79			
	Total	USSR	Eastern Europe	China
East Asia	9,360	7,590	1,710	..
Indonesia	9,270	7,560	1,710	..
Kampuchea	30	30
Latin America	780	780
Peru	780	780
Middle East	18,875	16,370	2,505	..
Egypt	6,250	5,665	585	..
Iran	315	315
Iraq	4,400	3,710	690	..
North Yemen	1,360	1,360
South Yemen	1,095	1,075	20	..
Syria	5,455	4,245	1,210	..
South Asia	7,225	6,425	370	430
Afghanistan	4,010	3,725	285	..
Bangladesh	485	445	..	40
India	2,285	2,200	85	..
Pakistan	430	45	NA	385
Sri Lanka	15	10	..	5

Table A-5

Million US \$

Communist Countries: Economic Aid to Non-Communist LDCs ¹

	Extended				Drawn			
	Total	USSR	Eastern Europe	China	Total	USSR	Eastern Europe	China
Total	32,980	18,190	9,830	4,960	14,500	8,170	3,590	2,740
1954-69	10,395	6,565	2,790	1,040	4,720	3,225	910	590
1970	1,175	200	195	780	605	390	145	70
1971	2,190	1,125	485	585	795	420	190	190
1972	2,180	655	920	605	860	430	170	260
1973	1,920	715	605	600	960	500	220	240
1974	1,915	815	820	280	1,190	705	230	255
1975	2,810	1,935	510	365	940	505	250	185
1976	1,930	980	800	150	1,160	465	375	320
1977	1,030	425	405	195	1,250	545	470	235
1978	4,850	3,060	1,575	220	1,110	485	380	240
1979	2,585	1,720	730	135	910	500	255	160

¹ Because of rounding, components may not add to the totals shown.

Table A-6

Million US \$

**Communist Countries: Economic Aid
Extended to Non-Communist LDCs ¹**

	1954-79				1979			
	Total	USSR	Eastern Europe	China	Total	USSR	Eastern Europe	China
Total	32,980	18,190	9,830	4,960	2,585	1,720	730	135
Africa	9,320	4,115	2,425	2,775	270	95	135	40
North Africa	4,230	2,920	980	330	45	..	45	..
Algeria	1,330	715	525	90
Mauritania	105	10	10	85
Morocco	2,320	2,100	170	55
Tunisia	425	95	230	95
Other	45	..	45	..	45	..	45	..
Sub-Saharan Africa	5,090	1,200	1,445	2,445	225	95	90	40
Angola	115	15	100
Benin	50	5	NA	45
Botswana	15	15
Burundi	60	60	40	40
Cameroon	110	10	..	100
Cape Verde	20	5	NEGL	15
Central African Republic	20	5	..	15
Chad	75	5	..	70
Comoros	NA	NA
Congo	165	30	60	75
Equatorial Guinea	25	NEGL	..	25
Ethiopia	420	225	95	100	95	95	NEGL	..
Gabon	25	..	NEGL	25
Gambia	15	NEGL	..	15
Ghana	280	95	145	40
Guinea	405	210	110	85
Guinea-Bissau	25	10	NA	15
Ivory Coast	NA	..	NA
Kenya	65	45	..	20
Liberia	25	25
Madagascar	110	20	NEGL	90
Mali	215	90	25	100
Mauritius	40	5	..	35
Mozambique	80	5	15	60
Niger	55	NEGL	..	55
Nigeria	85	5	80	..	75	..	75	..
Rwanda	60	NEGL	..	60
Sao Tome-Principe	20	20
Senegal	105	10	35	60

Table A-6 (continued)

Million US \$

	1954-79				1979			
	Total	USSR	Eastern Europe	China	Total	USSR	Eastern Europe	China
Seychelles	5	5
Sierra Leone	90	30	..	60
Somalia	330	165	10	155
Sudan	385	65	240	80
Tanzania	450	40	50	360
Togo	45	45
Uganda	30	15	..	15
Upper Volta	55	5	..	50
Zaire	105	105
Zambia	405	15	60	330
Other	505	70	420	15	15	..	15	..
East Asia	1,150	260	550	335	65	65
Burma	275	15	175	85
Indonesia	555	215	290	45
Kampuchea	135	25	15	90
Laos	35	5	5	25
Philippines	65	..	65
Thailand	NA	NA
Western Samoa	NA	NA
Other	90	90	65	65
Europe	45	45
Malta	45	45
Latin America	2,990	965	1,870	155	265	..	265	NEGL
Argentina	515	220	295
Bolivia	120	70	50
Brazil	710	90	620
Chile	450	240	145	65
Colombia	290	210	80
Costa Rica	25	15	10
Ecuador	20	NEGL	20
Guyana	65	NA	30	35	NEGL	NEGL
Jamaica	325	30	285	10	250	..	250	..
Mexico	35	NA	35
Nicaragua	10	..	10
Peru	280	25	215	40
Uruguay	85	50	30
Venezuela	10	NA	10
Other	50	15	35	..	15	..	15	..

Table A-6 (continued)

Million US \$

**Communist Countries: Economic Aid
Extended to Non-Communist LDCs ¹**

	1954-79				1979			
	Total	USSR	Eastern Europe	China	Total	USSR	Eastern Europe	China
Middle East	12,065	7,870	3,735	460	1,625	1,600	25	..
Cyprus	5	..	5
Egypt	2,465	1,440	890	135
Greece	10	10	NA
Iran	1,850	1,165	685
Iraq	1,245	705	495	45
Jordan	25	25	NA
Lebanon	10	..	10
North Yemen	310	145	40	130	25	..	25	..
South Yemen	350	205	65	80
Syria	1,785	770	955	60
Turkey	3,725	3,330	395	..	1,600	1,600
Other	285	75	195	10
South Asia	7,410	4,980	1,245	1,185	360	25	305	30
Afghanistan	1,500	1,290	135	75	50	25	25	..
Bangladesh	590	305	210	75	50	..	50	..
India	2,735	2,280	455
Nepal	210	30	..	180
Pakistan	1,755	920	215	620	110	..	90	20
Sri Lanka	475	160	95	220
Other	150	..	140	10	150	..	140	10

¹ Because of rounding, components may not add to totals shown.
Totals represent the sum of known values.

Table A-7

Number of Persons

**Communist Economic Technicians
in Non-Communist LDCs, 1979 ¹**

	Total	USSR and Eastern Europe	China	Cuba
Total	107,300	80,830	12,860	13,610
Africa	68,025	48,285	10,255	9,485
North Africa	39,875	37,845	930	1,100
Algeria	11,900	11,500	300	100
Libya	24,505	23,500	5	1,000
Mauritania	455	55	400	..
Other	3,015	2,790	225	..
Sub-Saharan Africa	28,150	10,440	9,325	8,385
Angola	9,270	2,760	10	6,500
Ethiopia	2,250	1,500	300	450
Gabon	70	20	50	..
Gambia	105	20	85	..
Ghana	195	75	120	..
Guinea	1,070	645	225	200
Guinea-Bissau	140	50	50	40
Kenya	20	20
Liberia	105	5	100	..
Madagascar	370	110	235	25
Mali	885	485	400	..
Mauritius	15	..	15	..
Mozambique	1,500	800	100	600
Niger	190	15	175	..
Nigeria	1,835	1,725	100	10
Rwanda	55	15	40	..
Sao Tome and Principe	315	15	100	200
Senegal	515	115	400	..
Sierra Leone	420	20	400	..
Somalia	1,050	50	1,000	..
Sudan	460	10	450	..
Tanzania	1,320	140	1,100	80

¹ Minimum estimates of number present for a period of one month or more. Numbers are rounded to nearest five.

Number of Persons

	Total	USSR and Eastern Europe	China	Cuba
Zambia	1,010	10	1,000	..
Other	4,985	1,835	2,870	280
Europe	135	10	125	..
Malta	135	10	125	..
East Asia	250	90	160	..
Latin America	3,225	595	155	2,475
Bolivia	215	215
Jamaica	650	..	50	600
Nicaragua	1,600	1,600
Peru	120	110	10	..
Other	640	270	95	275
Middle East	28,690	25,905	1,135	1,650
Egypt	775	750	25	..
Iran	2,200	2,200
Iraq	12,900	11,275	275	1,350
North Yemen	495	160	335	..
South Yemen	2,030	1,280	450	300
Syria	6,025	6,000	25	..
Other	4,265	4,240	25	..
South Asia	6,975	5,945	1,030	..
Afghanistan	3,775	3,700	75	..
Bangladesh	145	115	30	..
India	1,285	1,285
Nepal	335	10	325	..
Pakistan	1,025	750	275	..
Sri Lanka	410	85	325	..

Table A-8

Number of Persons

**Academic Students From Non-Communist
LDCs Being Trained in Communist Countries
as of 31 December 1979 ¹**

	Total	USSR	Eastern Europe	China
Total	55,345	30,970	24,025	350
Africa	27,330	14,690	12,400	240
North Africa	3,465	1,825	1,605	35
Algeria	1,950	950	1,000	..
Mauritania	305	220	75	10
Tunisia	625	300	300	25
Other	585	355	230	..
Sub-Saharan Africa	23,865	12,865	10,795	205
Angola	1,145	395	750	..
Benin	275	255	20	..
Botswana	25	25
Burundi	310	105	200	5
Cameroon	140	115	25	..
Cape Verde	395	350	45	..
Central African Republic	485	230	250	5
Chad	375	305	60	10
Comoro Islands	25	25
Congo	1,330	800	530	..
Djibouti	10	10
Equatorial Guinea	270	270
Ethiopia	3,400	1,600	1,800	..
Gabon	510	10	500	..
Gambia	45	45
Ghana	920	500	420	..
Guinea	1,000	575	410	15
Guinea-Bissau	440	225	215	..
Ivory Coast	940	240	700	..
Kenya	715	575	140	..
Lesotho	50	25	25	..
Liberia	125	45	80	..
Madagascar	1,165	1,000	165	..
Mali	600	400	200	..
Mauritius	185	150	35	..
Mozambique	425	275	150	..
Niger	230	155	50	25
Nigeria	2,575	1,030	1,545	..
Rwanda	165	125	40	..
Senegal	315	210	75	30
Sierra Leone	435	380	40	15

Number of Persons

	Total	USSR	Eastern Europe	China
Somalia	20	..	20	..
Sudan	1,605	410	1,140	55
Tanzania	965	525	415	25
Togo	420	360	40	20
Uganda	400	270	130	..
Upper Volta	330	330
Zaire	420	35	385	..
Zambia	340	255	85	..
Other	340	230	110	..
East Asia	35	25	10	..
Europe	30	15	10	5
Malta	30	15	10	5
Latin America	5,010	2,860	2,150	..
Bolivia	150	95	55	..
Brazil	70	35	35	..
Colombia	1,035	505	530	..
Costa Rica	610	360	250	..
Dominican Republic	260	165	95	..
Ecuador	890	335	555	..
El Salvador	120	30	90	..
Guatemala	25	25
Guyana	95	20	75	..
Nicaragua	170	130	40	..
Peru	635	610	25	..
Venezuela	135	65	70	..
Other	815	485	330	..
Middle East	13,160	6,745	6,405	10
Egypt	250	125	125	..
Iraq	1,015	250	765	..
Lebanon	490	450	40	..
North Yemen	555	455	100	..
South Yemen	910	660	250	..
Syria	3,830	2,135	1,695	..
Other	6,110	2,670	3,430	10

Table A-8 (continued) Number of Persons

	Total	USSR	Eastern Europe	China
South Asia	9,780	6,635	3,050	95
Afghanistan	6,430	4,000	2,430	..
Bangladesh	1,000	660	325	15
India	1,160	1,000	160	..
Nepal	585	550	..	35
Pakistan	205	125	70	10
Sri Lanka	400	300	65	35

¹ Numbers are rounded to nearest five. Most of the estimates are based on scholarship awards.

Table A-9

Million US \$

USSR: Civilian Trade With Non-Communist LDCs ¹

	1965		1970		1975		1978	
	Exports	Imports	Exports	Imports	Exports	Imports	Exports	Imports
Total	850	810	1,255	1,260	2,695	4,130	4,155	4,100
North Africa	35	20	125	85	250	255	305	310
Sub-Saharan Africa	85	60	95	140	185	325	385	440
East Asia	65	160	20	160	30	220	55	315
Latin America	50	110	10	80	205	1,060	140	770
Middle East	310	230	785	445	1,400	1,570	2,380	1,470
South Asia	305	230	220	350	625	700	890	795

¹ Because of rounding, components may not add to the totals shown.
Data are from Soviet foreign trade yearbooks.

Table A-10

Million US \$

Eastern Europe: Civilian Trade With Non-Communist LDCs ¹

	1965		1970		1975		1978	
	Exports	Imports	Exports	Imports	Exports	Imports	Exports	Imports
Total	820	780	1,150	960	3,640	2,865	5,370	4,365
North Africa	40	30	95	60	610	455	1,105	555
Sub-Saharan Africa	115	70	70	40	175	65	405	335
East Asia	45	45	15	25	105	65	110	140
Latin America	75	190	135	240	380	530	550	1,125
Middle East	380	300	605	370	1,940	1,375	2,840	1,885
South Asia	165	145	230	225	430	375	360	325

¹ Data are from official East European yearbooks.

Table A-11

Million US \$

China: Civilian Trade With Non-Communist LDCs ¹

	1965		1970		1975		1978	
	Exports	Imports	Exports	Imports	Exports	Imports	Exports	Imports
Total	425	430	455	305	1,775	875	2,380	1,415
North Africa	0	0	30	30	80	60	110	50
Sub-Saharan Africa	90	75	95	80	390	130	485	215
East Asia	195	75	160	65	680	155	960	295
Latin America	NEGL	115	10	5	45	250	75	485
Middle East	65	80	90	40	420	180	615	240
South Asia	75	85	70	85	160	100	135	130

¹ Data as reported by China's trading partners.

Appendix B

A Quarter Century of Communist Aid: Regional Developments

The Middle East–North Africa

Moscow's Middle Eastern aid offensive of the mid-1950s was the USSR's first important challenge to Western interests in the Third World. Soviet willingness to provide support to Arab military establishments and to undertake large industrial ventures, often turned down by the West, gave the USSR and its European allies entree into several strategically located Arab states.

At yearend 1979 the Middle East–North African region remained the principal target of European Communist penetration, having received commitments

of \$15.5 billion of economic aid and \$38.7 billion of military aid from the USSR and Eastern Europe. These amounts represented 55 percent of the Soviet–East European economic aid commitment to the Third World and 75 percent of military aid. LDCs in the area also accounted for more than one-half of CEMA trade with LDCs in 1978.

Foundations of the Relationship, 1966-73

The USSR had gained a foothold in the Middle East–North African area and influence in regional political affairs by yearend 1973 with a cumulative \$10.4 billion of Soviet–East European military commitments and \$7.7 billion of economic aid commitments.

Figure 4

Middle East and North Africa: Communist¹ Military and Economic Assistance, 1955–79



¹ Excludes Cuban, North Korean and Yugoslav assistance.

A \$140 million military package for Egypt in 1955 had set off the chain of events that led to Soviet construction of the Aswan Dam, Egypt's nationalization of the Suez Canal, and a nearly \$8 billion Communist-Egyptian economic/military connection. The spillover of Soviet influence into other Arab states had intensified Middle East tensions and had created a large new market for Communist arms. Meanwhile, assistance to Algeria in its war of independence helped to lengthen the arc of Soviet influence which now extended from India to Algeria.

By 1974, Soviet-East European military aid had provided the Arabs equipment and supplies in two Middle East wars, had underwritten Soviet-type military establishments in five Arab countries, and had furnished more than 3,000 military advisers and technicians for those countries. Except in Iran and Turkey, Moscow's economic relations with large Middle Eastern and North African clients had developed as a follow-on to the military supply relationship.

Moscow also had provided Middle Eastern and North African nations with prestigious industrial facilities such as aluminum plants, machine tool plants, and multipurpose dams for power generation, flood control, and irrigation. The aid helped establish national petroleum industries in Syria and Iraq and a natural gas industry in Iran. It furnished half of Egypt's and nearly all of Syria's electric power capacity and provided irrigation potential for a million hectares of land in the region.

The CEMA countries in this early period dispatched 6,400 civilian specialists to the area, including economic advisers, technical instructors, geological and industrial surveyors, plant designers, installation engineers, and plant managers. Furthermore, the USSR and East European countries trained on site more than 15,000 Middle Eastern and North African personnel in technical skills and nearly 18,000 in academic disciplines. In 1973, Soviet-Egyptian trade was almost four times the 1960 level, Soviet-Iraqi trade was 18 times as great, and Soviet-Syrian trade eight times. In 1973 the region absorbed nearly 15 percent of Soviet exports of machinery and equipment and supplied most of Soviet energy and cotton imports.

Table B-1 Million US \$

**Middle East and North Africa:
Communist Economic Aid Commitments ¹**

	Total	1956-69	1970-73	1974-79
Total	16,295	4,635	3,065	8,590
Middle East	12,065	4,115	2,400	5,550
USSR	7,870	2,580	1,190	4,100
Eastern Europe	3,735	1,345	995	1,395
China	460	190	215	55
North Africa	4,230	520	665	3,040
USSR	2,920	315	240	2,365
Eastern Europe	980	150	320	505
China	330	55	105	170

¹ Because of rounding, components may not add to the totals shown.

Moscow's most serious setback—the loss of Egypt as a major client in 1973—marked a new chapter in relations between the Communists and the Middle East. The Soviet reaction was to cultivate stronger ties with other countries in the area, especially Syria, and to capitalize on the sudden tide of oil wealth in the area.

Expansion of the Relationship, 1974-79

In 1974-79, the European Communists exploited the region's wealth by arranging \$28 billion in military sales, helping to fill labor deficits (especially in Libya) with 23,000 technicians a year, and winning several billion dollars worth of commercial contracts.

The new sales initiatives paved the way for: Moscow's first military order from Kuwait, for missiles in 1977; negotiations with Libya (still under way) on huge commercial contracts; agreement with Iraq on contracts reaching into the billions for electric power development; expansion (before the Islamic revolution) of commercial ties with Iran on a broad new front; and a \$2 billion, 30-year agreement in 1978 for the exploitation of phosphates in Morocco. By 1978, Communist nonmilitary exports to the area had nearly doubled, creating a combined billion-dollar trade surplus for the USSR and Eastern Europe. The loss of Egypt as a major arms client was more than compensated for by the unprecedented sales to Libya, Iraq, and Syria.

Even so, the expansion of Soviet and East European nonmilitary trade with the region did not match the more than quadrupling of Western trade. The European Communist market share fell to a little more than 5 percent by 1978; the most pronounced reduction, after Egypt, was in the share in Iraq's trade, down from 22 percent in 1973 to 15 percent in 1978. By yearend 1979 the USSR and Czechoslovakia had lost Egypt as their major source of raw cotton, and Moscow was forced to abandon the repair base for its Mediterranean fleet at the Alexandria shipyard.

At the same time, massive framework agreements with Turkey, Morocco, Algeria, and Iraq were expanding the Soviet Union's long-term connection with the Middle East and North Africa. The \$8.4 billion of economic aid committed to these countries in 1974-79 (\$6.5 billion from the USSR and \$1.9 billion from Eastern Europe) accounted for nearly one-third of all Soviet and East European aid pledged to LDCs in the first quarter century of the aid program.

Moscow's Favorite Partners: The Radical Arabs
Algeria. The Algerian-Soviet relationship has centered on military aid, which by 1973 had made Algeria the strongest power in the Maghreb. Practically all of the country's defense equipment has been supplied by Moscow—including some of the latest and most costly equipment exported by the USSR. The Algerian-Moroccan dispute over Western Sahara in the mid-1970s triggered an even closer relationship with the USSR, and a huge increase in commitments of Soviet arms. Algeria has moved up to fourth place among Moscow's Third World arms clients.

Economic Support, a Lesser Response. The \$1.2 billion of European Communist aid has been important to the development of Algeria's public sector industry. Moscow's hand was most visible during the 1970-73 Algerian plan, a centrally directed program of heavy industrial investment. Despite the general failure of the plan, Soviet-East European aid provided Algeria with its only steel mill; an expanded program of mineral prospecting and exploitation; and assistance for agricultural and light industrial development.

Under a framework agreement signed in 1976, the USSR will build an alumina complex, including a 600-MW power plant and rail spur; a heavy machinery and

Table B-2

Million US \$

Algeria: Communist Economic Aid Commitments¹

	Total	1962-73	1974-79
Total	1,330	855	470
USSR	715	425	290
Eastern Europe	525	340	180
China	90	90	0

¹ Because of rounding, components may not add to the totals shown.

electrical complex; a dam and irrigation works; a second steel mill in western Algeria, to process iron ore from Gara Djibilet; and oil refineries. The USSR already has committed \$290 million to the aluminum plant.

Lackluster Trade Performance. Outpaced by the expansion of Algeria's trade with the West, Soviet trade bottomed out at \$200 million in 1978. Soviet equipment and building materials being exchanged for Algerian wine. East European trade was double the Soviet, at \$430 million; oil was Eastern Europe's major import.

Iraq: The USSR's Largest Arms Buyer. Soviet military aid to Iraq has outrun economic aid nearly 15 to 1 and has made Baghdad the USSR's largest arms buyer. The Communist military supply program has transformed the Iraqi military from a counterinsurgency force after the July 1958 coup into a large, well-equipped military establishment capable of sizable modern military operations.

Table B-3

Million US \$

Iraq: Communist Economic Aid Commitments

	Total	1959-73	1974-79
Total	1,245	1,045	200
USSR	705	555	150
Eastern Europe	495	445	50
China	45	45	0

Iraq: Dukan Hydropower Station (USSR)



Iraqi-Soviet relations blossomed in 1972 with the signing of a Friendship Treaty, and were strengthened two years later when Iraq was admitted to observer status in CEMA. Relations have faltered periodically, however, because of differences over a Middle East settlement, and, most recently, the USSR's invasion of Afghanistan. The recent worsening of political relations comes at a time when Iraq's oil wealth gives it greater independence of action. The economic connection has become less important to Baghdad as its wealth has multiplied, and Iraq itself has become an important aid donor.

Until the mid-1970s, when Iraq began to diversify its supplier base, Communist countries had supplied nearly all of Iraq's weapons and military training. The initial agreement in 1958 was followed in 1960-61 by pacts for aircraft and ground equipment for infantry divisions and an armored brigade to quell the Kurdish rebellion. By June 1967 (the Arab-Israeli war), Moscow had provided aircraft, light and medium tanks, armored personnel carriers, and naval craft. Although Iraq's war losses were small, late-model fighter aircraft were airlifted to Iraq as part of an overall Arab resupply operation. Deliveries since the 1973 war have brought in the most modern Soviet military equipment ever supplied an LDC.

A Profitable Partner. Recurring political strains notwithstanding, Moscow puts high priority on good relations with Iraq. The Soviets earn hard currency from sales of arms and machinery and equipment to Iraq; Iraqi supplies of crude oil enable Moscow to sell more oil in the West.

Moscow's most important contribution (with the help of Hungary, Romania, and Czechoslovakia) under the \$700 million of economic development credits to Iraq was in the establishment and support of an Iraqi national petroleum industry in the late 1960s. The USSR filled the gap left by the withdrawal of Western technicians and provided an outlet for Iraqi oil when Baghdad's traditional markets in the West were in disarray. With \$175 million of Soviet credits (and \$75 million from Eastern Europe), Iraq was able to explore and exploit highly productive areas of the North Rumaila, Nahr Umar, and Luhais fields in southern Iraq, build new pipelines, and add 100,000 b/d to refinery capacity.

Eastern Europe pledged \$325 million for light industrial, food-processing plants, and transportation facilities, but it has not been as successful as Moscow in pulling down profitable commercial contracts in Iraq. In the mid-1970s, the USSR bid on and won \$1 billion of commercial contracts for four major irrigation and power projects. Soviet interest had already focused on

power and water development in 1971 under a \$220 million line of credit. The Soviet-aided 840 MW Nasiriyah power plant will be the largest thermal plant in the Middle East when it reaches capacity operation.

In 1978, Communist trade with Iraq reflected the expanded commercial relations. Two-way trade had doubled compared with 1973, to nearly \$3 billion, the Soviets accounting for \$1.6 billion. The USSR, nonetheless, fell from top rank to fourth place as a trading partner, its share of Iraq's trade falling from 10 percent to 9 percent.

Syria: Moscow's Longstanding Arab Partner. A Soviet credit to Syria for arms purchases in 1956, extended through Czechoslovakia, had grown into a multibillion dollar program by yearend 1979. By the time of the first Arab-Israeli war in 1967, Soviet arms aid included large quantities of modern fighter aircraft, tanks, and personnel carriers. In the wake of the expulsion of the Soviet military mission from Egypt, Moscow expanded the range of weapons supplied to Syria and increased its technical advisory contingent.

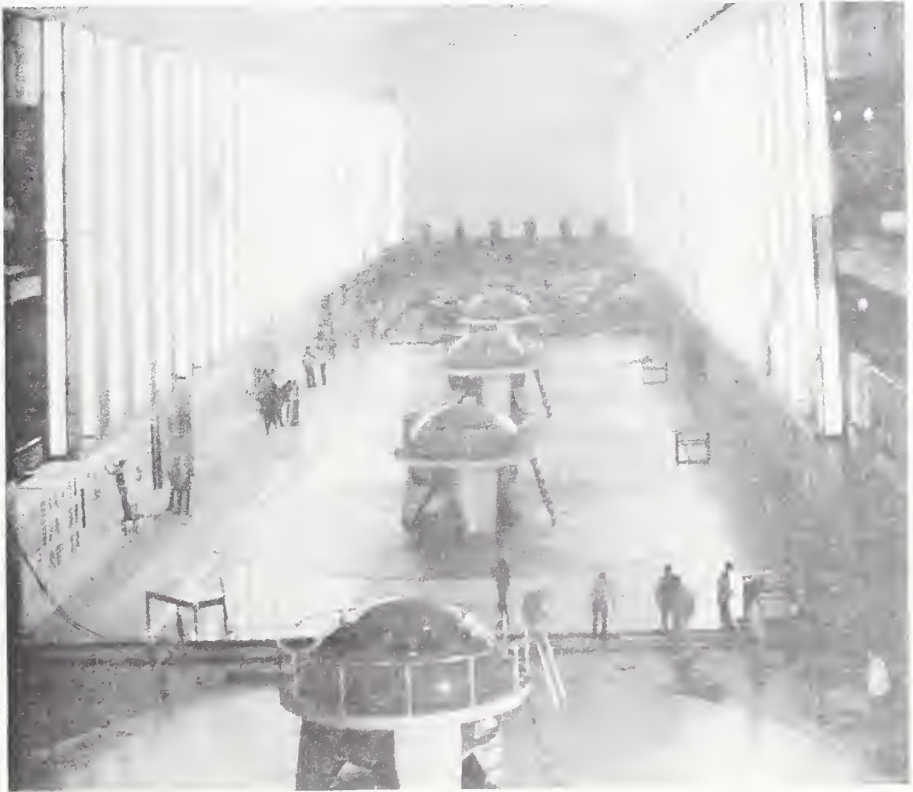
Syria: Euphrates Dam (USSR)

Table B-4 Million US \$
Syria: Communist Economic Aid Commitments

	Total	1958-67	1968-73	1974-79
Total	1,785	380	450	955
USSR	770	235	85	450
Eastern Europe	955	140	310	505
China	60	5	55	0

Communist Presence in Syria. Communist aid was Syria's only sustained source of economic assistance until 1974, when OPEC governments began to extend nearly \$1 billion a year for balance-of-payments support.

Syria has signed nearly \$1.8 billion of economic agreements with Communist countries. East European countries have assumed responsibility for oil refineries,



a phosphate plant, land reclamation, power, and light industrial plants, while Moscow's showpiece was the Euphrates Dam. The USSR also contributed to oil development, improvement of the railroads, and expansion of ports.

The 800-MW power station at the half-billion-dollar Euphrates Dam (completed in March 1978) quadrupled Syria's electric power capacity, according to the Syrians, and produces 95 percent of Syria's electricity. Powerlines are being strung the full length of Syria; a recent Syrian order for 50 East German transformer stations will help in power distribution. Irrigation and reclamation projects associated with the dam eventually will make 700,000 hectares of land available for cultivation.

By 1979 Soviet and Syrian railroad construction teams had completed 100 kilometers of the Damascus-Homs railroad; Syria's national oil industry, established largely with Soviet and East European aid, had become a net exporter.

Iran: The Faltering Oil Giant

In 1979, many of the 4,000 Soviet economic technicians who had left in 1978 were back in place and work had resumed on most projects begun before the revolution. The military supply relationship remained dormant. Perhaps Moscow's greatest concern was the reduced delivery of Iranian gas to its Asian Republics.

Economic Program Paramount. In contrast to the Communist connections with most other Middle Eastern countries, the connection with Iran turned on economic, not military, aid. Iran, the Third World's second largest arms buyer, placed less than 5 percent of its orders in Communist countries since early 1967 and never hosted more than 100 Communist military advisers.

The economic relationship also was low key, contributing only slightly to Iran's economic development. Moscow's first development credit to Iran, in 1963, provided assistance for a dam on the boundary river Aras. The dam has a total generating capacity of 44,000 kW of electricity and sufficient water to irrigate 90,000 to 100,000 hectares of land on each side of the border.

Table B-5 Million US \$

Iran: Communist Economic Aid Commitments

	Total	1958-73	1974-79
Total	1,850	1,330	520
USSR	1,165	790	375
Eastern Europe	685	540	145

After the 1963 credits, the USSR extended \$1.1 billion of aid, Eastern Europe \$685 million. The Soviets built Iran's first steel plant, a project turned down by Western interests. The plant became one of Iran's largest industrial enterprises, employing 10,000 Iranian workers and accounting for 70 percent of Iran's steel capacity. Soviet aid improved port facilities and transport links with the USSR, provided grain storage facilities, contributed to the development of Iranian fisheries, increased Iran's electric power and irrigation facilities, and made possible the annual export of 13 billion cubic meters of natural gas which previously had been flared. The \$200 million of annual earnings from the gas was more than enough to service Tehran's military and economic debt to the USSR. The East European program (largely Czech and Romanian) emphasized agro-industrial operations.

The quadrupling of world oil prices in 1973/74 resulted in an upsurge in Communist commercial relations with Iran. A joint commission for long-term planning was established and a 15-year economic cooperation agreement signed to promote a \$3 billion development effort on both sides of the Soviet-Iranian border under commercial and credit arrangements. The next year Iran awarded more than a billion dollars worth of commercial contracts to the USSR for power plants, a heavy machinery complex at Kerman, and other projects.

The largest project to fall by the wayside when Khomeini took power was the 1,500-kilometer IGAT-II pipeline to the Soviet border, which was to have delivered 17 billion cubic meters of gas annually from fields in southern Iran. Under the 20-year trilateral accord, the USSR would supply Soviet gas to Western

Europe and would receive a roughly equivalent amount of Iranian gas for domestic use, plus 2.4 billion cubic meters of gas as a fee.

Although Iran was the largest Third World market for Soviet goods in 1978, trade with the USSR never amounted to more than 5 percent of Iran's total trade. East European trade with Iran moved up to nearly a billion dollars in 1978, more than one-third of Iran's nonoil and nongas exports going to these countries. East European countries were harder hit than the Soviets by the turmoil in Iran because of dependence on Iranian crude oil.

The Middle Eastern Moderates

Egypt. A few Soviet technicians and a small volume of trade were all that remained in 1979 of a relationship that had brought Egypt \$1.1 billion of Soviet aid for public sector development and \$4 billion of military equipment.

The importance of Soviet aid to the Egyptian economy started declining in 1967, when Egypt began to receive annual cash payments from Arab states of about \$160 million. This was the first substantial non-Communist assistance Egypt had received in a decade.

Sadat's expulsion of Soviet military technicians in 1972 triggered a series of actions that culminated in Egypt's unilateral abrogation of the Friendship Treaty in 1976 and Cairo's cotton embargo in 1977. The dispute over repayment of Egypt's military debt finally destroyed the connection. The Communist legacy was a \$3-4 billion debt, vast stores of military equipment, and a Soviet-backed economic development program in midstream. For the Soviets, the crumbling of the relationship was a major foreign policy setback.

A Public Sector Showpiece. The Communist program, which accounted for 30 percent of Egyptian capital investment in the 1960s, was responsible for half of Egypt's installed power capacity, all of Egypt's aluminum capacity, and three-fourths of the capacity at Egypt's only steel mill. Despite the breach in Soviet-Egyptian relations, work has continued under outstanding credits. The 500 Soviet technicians

Table B-6 Million US \$

Egypt: Communist Economic Aid Commitments

	Total	1955-73	1974-79
Total	2,465	2,325	140
USSR	1,440	1,420	20
Eastern Europe	890	770	120
China	135	135	0

present in Egypt during 1979 worked on the fourth blast furnace at the Helwan steel complex, a 60,000-ton expansion of the Nag Hammadi aluminum plant, rural electrification and the Suez and Aswan power plants, and cement and pharmaceutical plants.

Soviet-Egyptian trade had declined after the cotton embargo and Egypt's refusal to maintain the large traditional trade surplus used to service its debts. Moscow's share of Egyptian exports fell to less than 15 percent in 1978 from the 50 percent the USSR had claimed in every year from 1970 to 1975. Egyptian imports from the USSR fell from approximately one-fourth of Egypt's imports to little more than 10 percent.

Eastern Europe Not Hard Hit. Except for Czechoslovakia, which had joined with the USSR in the arms embargo, and Bulgaria, with whom Egypt severed relations in 1978, Egypt has maintained economic relations with other European Communist countries. Eastern Europe implemented ongoing aid for electrification projects, diesel equipment, and other machinery purchases, and added \$120 million of credits to the \$770 million extended before 1974. The East Europeans also agreed to continue agricultural development, a cement plant, prefab housing factories, and chemical plants.

South Asia

Moscow forged its earliest links in the Third World with South Asian neighbors. A few million dollars to Afghanistan in 1954 for small projects marked the first Soviet aid venture into the Third World and a \$118 million credit for a steel mill in India in 1955 the second. Because of their location, both of these countries have remained major recipients of Soviet economic and military aid. Pakistan has recently been added to the list of big recipients of economic aid.

The USSR extended about two-thirds of the \$7.4 billion of Communist economic aid and 85 percent of the \$6.4 billion of military aid to South Asian countries by yearend 1979. China and Eastern Europe contributed nearly equal amounts of the remaining economic commitment.

Afghanistan: A Classic Case of Soviet Penetration.

The USSR's invasion of Afghanistan in December 1979 was the culmination of 25 years of growing Soviet economic and military penetration of this border state. Despite Kabul's earlier determination to associate itself with the nonaligned nations, the USSR had become Afghanistan's largest source of economic and military assistance, an important influence on cultural and educational programs, and its principal trading partner. Moscow's deep interest in Afghanistan stemmed from Afghanistan's location on the Soviet border and as a passageway to the Indian subcontinent and the Middle East.

Upgrading Afghan military forces beginning in 1956 and the \$250 million in Soviet credits for Kabul's first five-year economic development plan were initial steps

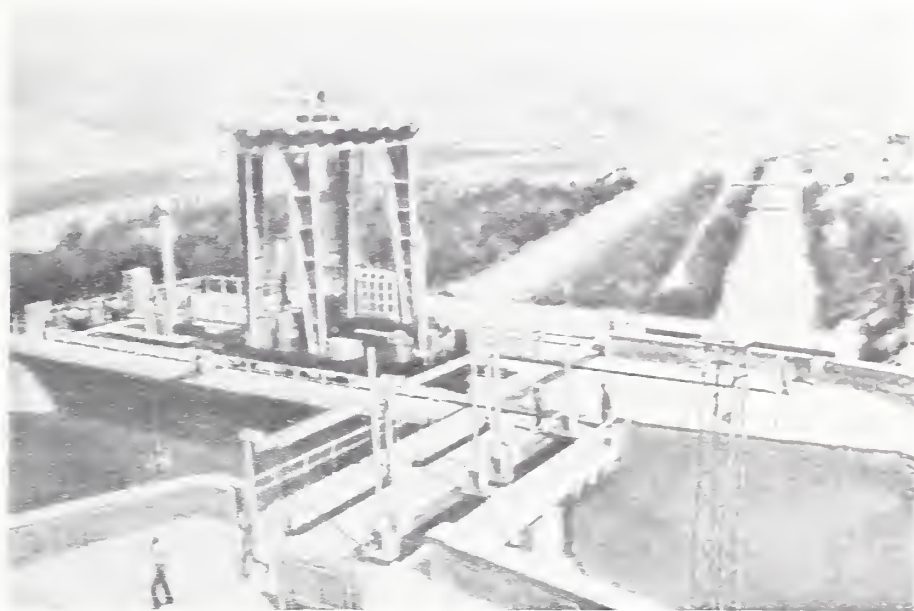
Figure 5

South Asia: Communist¹ Military and Economic Assistance, 1955-79



¹ Excludes North Korean and Yugoslav assistance.

Afghanistan: Jalalabad Power and Irrigation Project (USSR)



in Moscow's \$2.5 billion economic and military programs. The Soviet economic aid—which gave the Kremlin a dominant role in Afghan economic development—was supplemented by \$135 million of East European credits, largely for agro-industrial development, and \$75 million of Chinese credits, for irrigation, a hospital, and light industrial plants. Soviet aid was provided on more generous terms than allowed any other LDC.

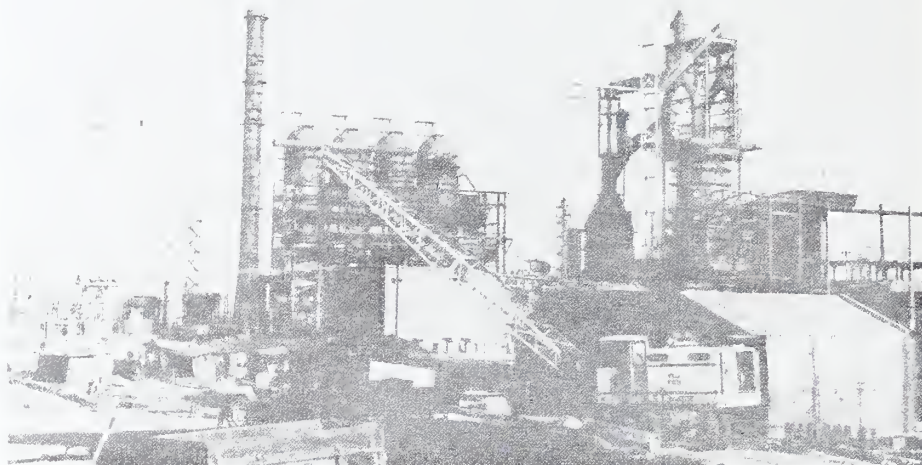
During the 25-year program, Soviet aid had provided about one-half of Kabul's import requirements for projects included in its first four economic development plans. Aid to Afghanistan has been supported with large contingents of Soviet and East European personnel—3,700 in 1979 before the invasion. In addition, some 5,000 Afghan students had been trained in Soviet academic institutions and 1,600 in technical institutions. Moscow's position as Afghanistan's largest aid donor also made it the principal trading partner. After the late 1960s, Afghan gas exports brought balance to the civilian trade account—until 1978 when sharply expanded imports of food and petroleum products created a \$100 million trade deficit.

A Soviet-Built Military Establishment. The USSR is Afghanistan's sole source of arms, not counting a small amount of equipment from Czechoslovakia. Poor leadership and troop training and the lack of trained operational and maintenance personnel had required continuing Soviet advisory, training, and maintenance services. Before the 1979 intervention, the Soviet technicians in Afghanistan were spread through the armed forces at every level of command.

India: Close Relations Weather Political Change. The Soviet-Indian relationship has endured political change in New Delhi and Moscow and disagreements over the content of the aid program and its administration over the past 25 years.

From the first Soviet credit to India—for the Bhilai steel mill in 1955—Moscow realized that India's interest in developing a public sector heavy industrial complex coincided with its own willingness and ability to supply equipment and technology. As in Afghanistan, Soviet commitments to India were geared to economic plan periods. More than one-half of the \$2.3 billion Soviet commitment and even more of Eastern Europe's was allocated to large industrial complexes.

*India: Bokaro Steel Plant
(USSR)*



The East European program reinforced the Soviet heavy industry pattern. As a result of the industrial capacity created by Communist assistance, India was able to supply two-thirds of the equipment required to build the 6-million-ton Bokaro steel mill out of domestic capacity. In addition, Moscow has placed several hundred million dollars of orders with Soviet-built plants in India for equipping plants in other LDCs. Soviet aid also generated rapid increases in trade, bringing the two-way trade level to a billion dollars. A \$100 million annual surplus in India's favor has enabled New Delhi to service its economic and military debts to the USSR on schedule.

A \$340 million credit in May 1977 on the most favorable repayment terms ever offered India by the USSR (20-year amortization, after a 3-year grace period at 2.5-percent interest) signaled a revitalization of economic relations which had waned after the large credits extended in 1966. Except for a 2-million-ton Soviet emergency wheat shipment in 1974, no new credits were furnished until 1977, deliveries dropped to a trickle, and debt service remained high—creating a net outflow of resources. Soviet-built plants operated at partial capacity during the period because of domestic economic problems, and shifts in India's development plan reduced New Delhi's need for the project aid provided with Soviet assistance.

Deliveries, which bottomed out in 1971, resumed a strong upward course by 1978 as work began on several major new plants—for example a copper refinery and an alumina plant—and as the expansion and modernization of the Bokaro and Bhilai steel mills accelerated. In 1979, the USSR agreed to construct a \$2.7 billion blast-furnace complex, the financial details for which were not spelled out.

Pakistan: Support From Both China and the USSR.

New economic commitments to Pakistan from Poland (\$90 million) and China (\$20 million) in 1979 brought total Communist aid pledges to Islamabad to nearly \$1.8 billion. Until the provision of large Soviet credits for a 1.1-million-ton steel mill beginning in 1971, China had been the largest, most active Communist donor.

The Chinese-Pakistani relationship, a product of regional events in the mid-1960s and unending political and military rivalry between Pakistan and India, has been supported by the strong pro-Chinese bias among Pakistan's ruling elite. The Chinese, viewing Pakistan much as the Soviets had viewed Egypt, had made Pakistan their largest recipient of economic and military aid, with extensions totaling more than 15 percent of their economic commitments to LDCs and nearly 60 percent of their military commitments.

Table B-7

Million US \$

**Pakistan: Communist Economic
Aid Commitments**

	1956-79	1956-70	1971-75	1976-79
Total	1,755	665	715	375
USSR	920	200	495	225
Eastern Europe	215	55	55	105
China	620	410	165	45

China's interest in Pakistan surfaced in 1964 with aid for a heavy industrial complex, Beijing's only such assistance to a Third World nation. It was reaffirmed in the mid-1970s when 20,000 Chinese laborers worked on the Karakoram road built by China through the Himalayas to link the two countries.

Soviet and East European military aid has not been important for Pakistan. Here again the Chinese interest was apparent. Even though Beijing provided only about half a billion dollars worth of military equipment in the past 20 years, China had rallied with rapid delivery of arms in periods of crisis, when Western nations withdrew their support for political reasons. The small Chinese share made an important contribution to the building of a military establishment in Pakistan and remains the backbone of Pakistan's air and ground force inventories. The dollar value understates the extensive volume of aid supplied because of the relatively unsophisticated character of the hardware.

Sub-Saharan Africa

The half-billion dollars of Soviet economic aid to 10 countries in Sub-Saharan Africa after their independence in the late 1950s and early 1960s (and the \$150 million from Eastern Europe) failed to win the sympathies of the new nations on the continent. The new states continued to rely on the larger Western programs and the simpler (\$225 million) Chinese program.

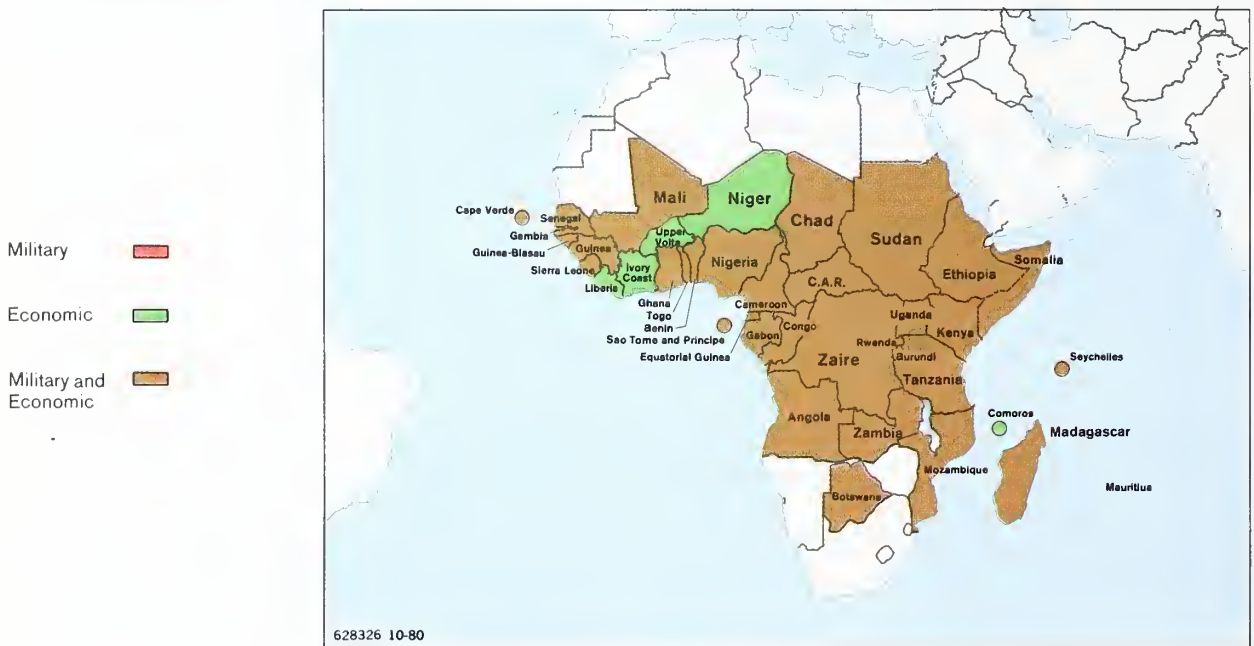
The Communist military program in the region had more clout—\$4.3 billion of Soviet–East European arms agreements with Sub-Saharan Africa in 1975-79 (compared with \$760 million in 1959-74) and 37,000 Cuban and European Communist military personnel. The first sustained Soviet military foray into Sub-Saharan Africa came in 1975 with supplies and personnel furnished to Angola after the MPLA victory. It was followed by the shift in Soviet support from Somalia to Ethiopia.

Implementation of the Soviet \$1.2 billion economic program bogged down from the beginning and caused Moscow to cut the size and change the kind of its commitments. Instead of the usual heavy industrial program, Soviet projects began to feature improvements in agriculture, geological exploration, medical services, and help in establishing light industries. However, Moscow in most instances would not provide the turnkey projects and the funding of local costs that were needed by most African states.

Guinea and Ethiopia have been the largest Sub-Saharan African recipients of Soviet economic aid—Guinea because of the nearly \$100 million project for exploiting bauxite (which the USSR takes as repayment) and Ethiopia because of a 1959 line of credit (still not fully drawn) and additional project aid since the renewal of their relationship—\$95 million in 1979.

Figure 6

Sub-Saharan Africa: Communist¹ Military and Economic Assistance, 1958–79



¹ Excludes Cuban, North Korean and Yugoslav assistance.

Another \$90 million of European Communist economic aid was pledged to Sub-Saharan Africa in 1979. Nigeria received almost all of Eastern Europe's new pledges.

After the early spurt of assistance in the 1960s, Soviet project aid played a secondary role in the Soviet offensive. After 1964, Moscow concentrated instead on training and technical assistance; by yearend 1979 almost 30,000 Sub-Saharan African nationals had gone to the USSR and nearly 20,000 to Eastern Europe for advanced academic training. Soviet and East European technicians were posted to Africa—10,000 in 1979—to provide administrative, health, and teaching services. The number of personnel assigned to Africa rose especially fast in the past few years because of Moscow's new interests in Angola and Mozambique and its growing commercial relations with Nigeria.

In 1975-79 the USSR formalized its relationship with the new government of *Angola* with a 20-year Friendship Treaty, military supplies, and the provision of 1,000 Soviet officers who occupy key positions in the military command and control structure. The East Europeans have provided ground forces equipment and a small contingent of technicians, among whom the East Germans have major responsibility for security and intelligence functions. The most important support has come from the 19,000 Cubans—largely combat troops who are supporting the government against insurgents, and advising and instructing Angola's regular military and guerrilla forces.

The Communists have not yet addressed the economic problems of Angola. The USSR has extended only miniscule amounts of aid for fisheries and agriculture, and Eastern Europe's \$100 million for agricultural and marine development has hardly been tapped. Nor have the 9,000 Communist economic technicians now in Angola been able to fill the gap left by the 100,000 Portuguese who departed at independence.

Mozambique has relied almost exclusively on the USSR and Eastern Europe to maintain its military establishment since its independence from Portugal in 1975. Only small amounts of the \$100 million of Soviet-East European economic aid committed since 1975 has been delivered. The 1,500-man contingent of civilian technical personnel (40 percent of whom were

Table B-8 Million US \$

Sub-Saharan Africa: Communist Economic Aid Commitments ¹

	Total	1959-64	1965-74	1975-79
Total	5,090	865	2,480	1,755
USSR	1,200	490	380	335
Ethiopia	225	100	NEGL	125
Ghana	95	95	0	NEGL
Guinea	210	75	135	5
Mali	90	60	30	NEGL
Somalia	165	55	45	65
Other	410	105	170	140
Eastern Europe	1,445	150	440	860
China	2,445	225	1,660	560

¹ Because of rounding components may not add to the totals shown.

Cubans in 1979) has not been able to stem the decline of the formerly prosperous agricultural sector.

The drive into the *Horn of Africa* was one of Moscow's earliest efforts in Sub-Saharan Africa. Until late in 1976, *Somalia* was the principal Sub-Saharan African recipient of Soviet aid, mostly military. The USSR-Somalia relationship began late in 1963, with an agreement for ground, air, and naval equipment which grew to total Soviet support of Somalia's military by 1976. In return the USSR was given naval facilities at Berbera on the strategic Gulf of Aden. The Soviets also used Somali airfields for reconnaissance operations over the Indian Ocean.

Mogadishu's refusal to moderate its position on the Ogaden late in 1976 led to a Soviet embargo on weapons and spare parts deliveries; abrogation of their 1974 Friendship Treaty and the expulsion of Soviet and Cuban military personnel; and the termination of Soviet airbase and naval base rights, in November 1977.

The decision to back *Ethiopia* and modernize and expand its arms inventories far beyond Somalia's level reflected the Soviet judgment that Ethiopia was the greater strategic prize. In three years, the USSR provided Ethiopia with more military equipment than it

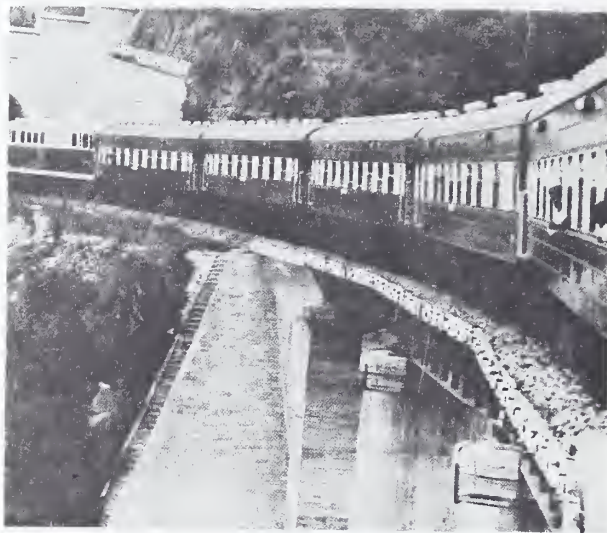
provided Somalia during their entire 13-year relationship. In return, Ethiopia signed a 20-year Friendship Treaty in November 1978.

In addition to providing weapons, Moscow has begun to modernize Ethiopia's military facilities and train its nationals. Soviet military personnel in 1979 provided instruction and helped to maintain equipment. Cuban troops had assumed the major foreign combat role when fighting was at its peak in the Ogaden in 1978. Since then their number has dropped to 13,000, and they are playing a support role.

China. The Sino-Soviet competition in Sub-Saharan Africa was short-lived. Beijing could not match Soviet arms supplies, (either in amount or sophistication), and Moscow lost interest in economic aid after a brief flurry of activity in the early 1960s. Tanzania's acceptance of Soviet weapons in 1974 ended China's dominant supplier position in Tanzania, which had accounted for one-third of China's \$300 million arms aid to Sub-Saharan Africa.

Beijing has gotten exceptionally good political mileage out of its \$2.4 billion economic aid program in Africa. The competition with Moscow began with China's aid to Guinea in 1960, the year of the Sino-Soviet rift and the start of a Chinese challenge to Soviet domination of the world Communist movement. Beijing competed with Soviet economic aid to Sub-Saharan Africa, not on a dollar-for-dollar basis, but with an effective labor-intensive program tailored to the skills and requirements of the region. After the initial burst of activity, Beijing curtailed its aid program as China wrestled with internal political problems. Chinese aid was revived in 1970. A \$400 million credit for the Tan-Zam Railroad broke all previous Chinese records and set the stage for another \$1.5 billion in aid to Sub-Saharan Africa, spread among 35 countries for light industry and agricultural assistance. The Chinese won high marks for the low costs of their projects, their relevance to the immediate needs of the population, and the spartan lifestyle of their technicians and workers.

The \$40 million Chinese commitment in 1979—Beijing's smallest to Sub-Sahara since the Cultural Revolution—reflected the concentration of Beijing's limited resources on its own domestic development.



Tanzania/Zambia: The Tan-Zam Railway (China)

Latin America

Latin American countries have moved slowly in accepting Communist aid. Except for a brief flurry of activity in Chile during the Allende years (1971-73) and the noteworthy Soviet-Peruvian military sales connection, trade has remained the single most important element in Latin America's relations with the Communists.

Political changes in Central America and the Caribbean in 1979 gave the Communists opportunities for a breakthrough. Cuba took the lead by establishing close relations with the new Grenadian and Nicaraguan regimes and providing some technical and military aid. Jamaica also received some aid and remains close to the Castro regime. Cuban activity was overshadowed by \$250 million in Hungarian credits to Jamaica for an alumina plant, the largest single Communist economic development credit ever extended to a Latin American country. Implementation of this project, however, probably will not take place in the near future because of questions about its viability.

The History: A Trade-Oriented Credit Program.

Other than the credits to Chile and Peru in 1971, the nearly \$3 billion of Communist economic credits extended to Latin American countries since 1958 have been largely trade related—usually requiring down-payments, and repayable over five to 10 years, often at near-commercial interest rates. Moscow extended the first such credit to Argentina in 1958—a \$100 million credit on which only \$29 million was ever drawn. Since then the Soviets have extended nearly a billion dollars of trade credits, about one-half for power development especially in Argentina, Brazil, Colombia, and Uruguay.

The poor drawing record on Soviet credits (about 20 percent) has done little to correct the trade imbalance for which they were intended. The same is true of the \$1.9 billion of East European credits extended to promote machinery and equipment sales—especially in Argentina, Brazil, Chile (never implemented because of political change), and Colombia. As a consequence,

Figure 7

Latin America: Communist¹ Military and Economic Assistance, 1958-79



¹ Excludes Cuban, North Korean and Yugoslav assistance.

East European nations made nearly \$600 million of hard currency settlements in 1978 to pay for large food purchases.

East European countries have had some success recently, however, in concluding long-term barter agreements, such as the Polish \$3 billion 10-year agreement to exchange coal for Brazilian iron ore and Romania's 10-year \$650 million agreement to exchange oil, fertilizers, and metal products for Brazilian iron ore.

A Program of Recent Vintage. By yearend 1979, 15 Latin American countries had received economic credits from Communist countries, twice the number of a decade before. Even though the amounts extended still represent less than 10 percent of the entire Communist aid program, and drawings less than 5 percent, Soviet interest has remained high, especially in hydroelectric power development. Soviet bids to build massive power projects in Argentina and Brazil could involve credits of up to \$1 billion each.

Sizable groups of Communist technical personnel went to Latin America as early as 1970 in connection with equipment sales or development projects; the largest group at that time was the hundred East European technicians who went to Brazil to build thermal and hydroelectric power plants. In 1972-73, Chile accepted 200 Soviet technicians for administrative and planning services associated with the \$240 million of aid extended by the USSR. The number present in 1979 reached 3,225 because of the influx of Cubans into the Caribbean.

East Asia

East Asian non-Communist countries have been wary of accepting military or economic assistance from Communist countries in recent years because of some unsatisfactory earlier experiences and concerns over Soviet and Chinese intentions. Thailand finally signed an economic agreement with China in 1978 and the Philippines accepted small credits from East European countries at around the same time.

Most of the arrangements have been confined to trade. The USSR and Eastern Europe depend on East Asian countries for \$400 to 500 million of rubber and other tropical products annually, while China sells consumer goods in the extensive East Asian markets to help balance its trade deficits with the industrialized countries. In 1978-79, for example, China ran an annual hard currency surplus of \$600 to 700 million with the area.⁴

⁴ Chinese trade with Hong Kong is not included in the estimate.

Indonesia, Burma, and Cambodia ranked high on Communist aid recipient lists at the very beginning of the Communist aid program—Indonesia as a major Soviet aid recipient, Burma and Cambodia as Chinese. After Indonesia accepted large amounts of Soviet aid (especially military) in the early 1960s, political differences precipitated a break in relations, which cut off practically all Soviet assistance to Djakarta. At the same time, China was expelled from Burma.

The History. *Indonesia* was Moscow's first big program failure: Djakarta ended all Communist military and economic programs after the abortive Communist coup in 1965. Indonesia's 10 years of Soviet and East European aid commitments left Djakarta with half-completed projects, a huge inventory of deteriorating military equipment with no spare parts, in the care of poorly trained personnel, and nearly a billion dollars of debts to the Soviets and East Europeans.

Figure 8

East Asia: Communist¹ Military and Economic Assistance, 1955-79



¹ Excludes Cuban and Yugoslav assistance.

Moscow had hoped to use Indonesia (the largest and potentially the richest East Asian country) to promote its political and strategic interests in East Asia. Soviet and East European assistance to Indonesia amounted to nearly 20 percent of European Communist assistance to the Third World through 1965. Djakarta's military orders from the USSR and Eastern Europe almost equaled Communist military assistance to Egypt, the largest recipient of Communist aid at that time. In 1965 modern Soviet weapons gave Indonesia one of the best equipped military forces in Southeast Asia and allowed it to escalate the confrontation with Malaysia over Irian.

Burma and Cambodia (later Kampuchea) were the centers of China's early interest in the Third World. China dominated Communist aid to *Burma* through an \$84 million economic assistance program for light industry and public works. Burma canceled the aid program in 1967, following political disagreements and suspicions over the role of China's technicians. Rangoon withdrew its students from China, dismissed the 450 Chinese technicians in Burma, and suspended trade relations. At the same time, the small programs of other Communist countries in Burma slowed, not recovering until 1978, when Czechoslovakia extended a \$140 million credit for automotive supplies and equipment.

Sino-Burmese relations had begun to revive in 1971 with the signing of a trade agreement, the reinstatement of 1961 credits that had expired. *Cambodia*, China's largest aid client in the early 1960s, received more than \$90 million of light industrial project aid commitments in 1956-66. Except for some early assistance for a hospital, small amounts of reused military equipment, and village development schemes, the Soviet-East European program was never of any consequence in Cambodia.

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